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World Business Newspaper THURSDAY APRIL 18 1996

Fischler moves to ease tension with UK over beef ban

European Union agriculture commissioner Franz Fischler sought to ease tensions between Britain and continental Europe over the beef crisis, telling Euro-MPs in Strasbourg that any solution to the collapse in the beef market had to involve all EU countries. However in London, some British government ministers plan to mount a vigorous anti-European campaign pinned to the beef crisis. Page 14

Italian election offers wide choice: Italian voters face four separate votes and a choice of more than 300 groups to elect a new parliament. Page 3

EU warned on enlargement: The European parliament warned that the EU risked damaging the internal market if member states forced the pace of enlargement eastwards. Page 2

SAP, the German business software group, forecast that profits would rise 40 per cent for the year after first-quarter results showed turnover up to DM690m ($457m) and a 62 per cent rise in pre-tax profits to DM117m. Page 17; Lex, Page 14

German unions warn of jobs threat: German trade unions warned that government plans to cut spending and restructure the welfare state could cost jobs instead of creating employment. Page 2

L'Oréal, French cosmetics group, reported an 8.3 per cent rise in earnings for 1995 to FFr3.4bn after sales rose 12 per cent. Page 17; Lex, Page 14

Nato chief reassures Baltic states: Nato secretary-general Javier Solana assured the Baltic states that the western allies would not neglect their security interests or close the door to their eventual membership of the bloc. Page 2

Ford profits fall 58% to $653m:

Ford said the cost of introducing models of some of its biggest-selling vehicles led to a fall in profits to $653m, down 58 per cent from the year before. Chairman Alex Trotman (left) defended the company's decision to introduce a number of high-volume vehicles at once, saying the change was best done at a time when Ford was financially strong. Page 15

Global telecoms talks may miss deadline: World Trade Organisation talks on a global pact to liberalise basic telecommunications, may fail to fix a deal before the April 30 deadline despite "good progress", officials said. Page 5

GAN, the state-owned French insurance group, reported 1995 losses of FFr1.8bn ($351m) down from FFr5.7bn in 1994 and predicted a return to break-even this year. Page 16

American Airlines's parent company AMR confirmed it was considering spinning off one of the world's biggest computer reservation systems, Sabre. The move could save the second-biggest US airline $120m and $140m a year. Page 15; Lex, Page 14

AT&T chairman Robert Allen came under attack over his $16m compensation package which critics said was tied to the break-up of the company and loss of about 40,000 jobs. Page 18

Indian corruption attacked: India's chief election commissioner T.N. Seshan attacked corruption in the country's political and business life saying the national "character" had "descended to its nadir". Page 14

IBM earnings rise to $1.4bn: International Business Machines reported stronger than expected first-quarter operating earnings of $1.4bn, compared with $1.3bn in the same period last year. Page 18

Steffi Graf's father charged: German prosecutors have filed charges against Peter Graf, the father of tennis star Steffi Graf, and one of his financial advisers, accusing them of evading taxes on DM42m ($27.9m).

S Africa tops murder rate: South Africa last year had the highest murder rate of any country outside a war zone with 18,983, equal to 87.5 murders per 100,000 people, according to police figures. In the US, the murder rate has hovered at around nine per 100,000 inhabitants and in Britain one per 100,000.

Greek shipping magnate dies: Greek shipowner Stavros Niarchos, a pioneer of the supertanker, has died aged 86. He was one of the world's richest men with a personal fortune of $5bn. Obituary, Page 16

■ STOCK MARKET INDICES

New York lunchtime		
Dow Jones Ind Av	5,591.72	(-38.30)
NASDAQ Composite	1,121.44	(-3.48)
Europe and Far East		
CAC40	2,075.12	(-22.22)
DAX	2,524.18	(-14 20)
FT-SE 100	3,805.8	(-19.7)
Nikkei	21,816.22	(-51.95)

■ US LUNCHTIME RATES

Federal Funds	5¼%
3-mth Treas Bills: Yld	4.958%
Long Bond	89¹¹⁄₁₆
Yield	6.806%

■ OTHER RATES

UK: 3-mo Interbank	6%	(6⅛%)
UK: 10 yr Gilt	95½	(96⅟₃₂)
France: 10 yr OAT	104.79	(105.02)
Germany: 10 yr Bund	96.72	(97.09)
Japan: 10 yr JGB	97.496	(97.916)

■ NORTH SEA OIL (Argus)

Brent Dated	$20.06	(21.13)

■ GOLD

New York: Comex		
June	$393.0	(393.5)
London:		
close	$391.45	(392.3)

■ DOLLAR

New York: lunchtime		
£	1.5085	
DM	1.50715	
FFr	5.118	
SFr	1.227	
Y	108.305	
London:		
£	1.5085	(1.5082)
DM	1.5073	(1.5096)
FFr	5.1205	(5.1245)
SFr	1.2257	(1.2299)
Y	108.235	(108.155)

■ STERLING

DM	2.2737	(2.2767)
Tokyo $ close:	Y 108.55	

Albania	LEK 220	Germany	DM4.00	Lithuania	Lit 15.00	Qatar	QR13.00
Austria	Sch37	Greece	Dr400	Lux	LFr75	S.Arabia	SR12
Bahrain	Din1.250	Hong Kong	HK$20	Malta	Lm0.65	Singapore	S$4.30
Belgium	BFr75	Hungary	Ft230	Morocco	MDh16	Slovak Rp	Sk65
Bulgaria	Lw130.00	Iceland	IKr230	Neth	Fl 4.75	S. Africa	R12.00
Cyprus	C£1.20	India	Rs75	Nigeria	Naira90	Spain	Pta250
Czech Rp	Kc60	Israel	Shk7.90	Norway	NKr20.00	Sweden	SKr20
Denmark	DKr18	Italy	L3300	Oman	OR1.50	Switz	SFr3.70
Egypt	E£5.00	Japan	Y500	Pakistan	Rs40	Syria	S£85.00
Estonia	EKr 22	Jordan	JD1.50	Poland	Zl 5.50	Tunisia	Din1.750
Finland	FM15.50	Kuwait	Fils650	Portugal (m'land)	Es240	Turkey	L80,000
France	FFr11.50	Lebanon	LL3,000			UAE	Dh12.00

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Move aims to spur growth ■ World economic outlook 'satisfactory'

IMF urges rate cut by Germany

By Robert Chote, Economics Editor, in Washington

The International Monetary Fund yesterday called on the Bundesbank to cut interest rates to help revive economic growth in Germany and other European countries whose currencies are closely linked to the D-Mark.

In its latest twice-annual World Economic Outlook, the IMF said conditions seemed to be in place for economic growth to rebound in the second half of the year in the hard currency countries.

But it warned that not enough had been done to guard against the downside risk of protracted weakness and to offset the impact on activity of cuts in government borrowing.

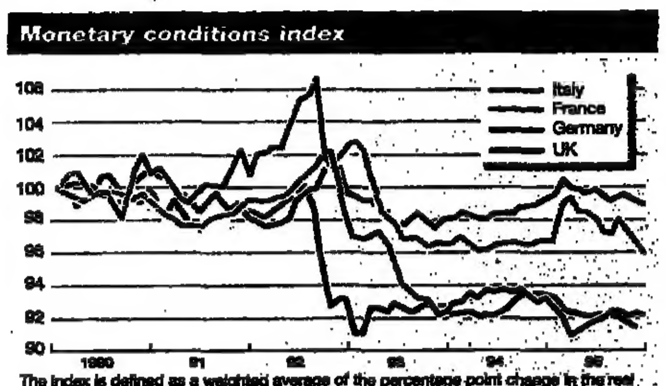
"It is important that the available scope for further easing of monetary conditions in the hard currency countries be fully utilised," the fund said. "Room for further declines in short-term interest rates in these countries is suggested by their large margins of slack, subdued price pressures, the strength of their exchange rates, and modest growth of monetary aggregates in most cases during the past year."

For the world economy as a whole, the IMF expects growth to continue at a "satisfactory pace" of 3.8 per cent this year and 4.3 per cent in 1997. The outlook for growth in Japan is better than it appeared in October and in the US it is much the same.

But the fund warned that if the financial markets lost confidence in the commitment of US Congress and administration to achieve a balanced budget, their reaction could pose "a significant risk to sustained expansion".

Growth in Europe's hard currency countries has stagnated since the second half of 1995, while recovery in those economies that have devalued against them – such as Italy, Sweden and the UK – has remained on track.

Monetary conditions index



The index is defined as a weighted average of the percentage point change in the real short-term interest rate and the percentage change in real effective exchange rate from a base period

The exchange rate movements have offset the stimulatory impact of interest rate cuts in the hard currency countries, but augmented them in the devaluing countries.

The IMF now forecasts 1 per cent growth in the German economy this year, compared with the 2.9 per cent it predicted in October. The forecast for France has been cut from 2.7 to 1.3 per cent and for Switzerland from 2 to 0.9 per cent.

Mr Michael Mussa, the IMF's economic counsellor, said that in Europe "the slowdown is largely behind us".

The analysis has already proved controversial within the IMF. When its executive board discussed a draft late last month, French and German representatives protested it conceded too much to European devaluers.

This is a sensitive topic to raise on the eve of the Bundesbank's policymaking council meeting today and when EU finance ministers have been discussing ways to prevent European countries outside the putative single currency competitively devaluing against the euro.

Asked if he was arguing against strong currency policies, Mr Mussa said: "The notion that the same policy is appropriate for all countries should not be accepted without analysis."

IMF urges assault on high public borrowing, Page 4
Interest rates warning, Page 8
Editorial Comment, Page 13

Southern may merge with top UK power generator

By Patrick Harverson in London

Southern Company, the US utility, is considering a merger with Britain's largest electricity generating company, National Power.

The union would be the biggest single consolidation of the UK electricity industry. Southern Company has a market capitalisation of about $16bn and already owns Sweb, the UK regional electricity supplier based in the south-west of England.

National Power is the largest power generator in the UK and plans to launch a £2.8bn ($4.2bn) takeover bid for Southern Electric, another regional supply company. Yesterday shares in National Power leapt 56½p to 578p, valuing the company at £6.6bn.

The government has not given its assent to National Power's agreed bid for Southern Electric, although Mr Ian Lang, UK trade and industry secretary, is expected to agree with the recommendation of the Monopolies and Mergers Commission that the deal – and a separate bid for Midland Electricity by Powergen, Britain's second generator – be approved.

Southern Company said yesterday it would await Mr Lang's decision, which is expected within the next fortnight, before beginning formal merger talks with National Power.

The US group has made it clear it does not want to buy Southern Electric. It fears the UK government would balk at the idea of a generator and two electricity suppliers – Sweb and Southern Electric – being owned by a single company.

Southern Company will therefore try to dissuade National Power from pursuing its planned offer for Southern Electric. If it fails, it risks the whole deal being referred to the MMC.

The structure of any merger between the two companies remains unknown, but if a deal is agreed shareholders in Southern Company and National Power are likely to be offered equity in a newly merged entity. A cash

Continued on Page 14
Lex, Page 14

Last-minute check: Lebanese prime minister Rafiq al-Hariri appears to submit himself for inspection by a military aide as he arrives for a meeting with UK prime minister John Major in London, at which the Israeli bombardment of Lebanon was discussed. Report, Page 14; Israelis demand truce, Page 4 Picture: AP

Clinton hails new links with Japan

By William Dawkins in Tokyo

President Bill Clinton yesterday praised the maturing of a relationship between old friends, and said the US and Japan had "special responsibility to lead" the Asia-Pacific region through a time of profound change.

He was speaking after a summit with Mr Ryutaro Hashimoto, Japan's prime minister, dubbed by both sides to be the most important meeting since the cold war ended. They confirmed plans to strengthen their security alliance and increase co-operation on issues ranging from combating international terrorism to preparing for earthquakes.

Mr Clinton and Mr Hashimoto met in Tokyo to sign two agreements on security and general bilateral matters, marking a shift to more co-operative relations after a period of trade disputes and Japanese public criticism of the US military presence in Japan.

The security declaration slightly extends a series of initiatives, the consequence of both sides' first Asian security reviews since the Soviet Union collapsed. It confirms the US will maintain indefinitely 100,000 troops in east Asia, of which 47,000 are in Japan, but confirms the reduction and consolidation of US bases in Okinawa.

The two countries agreed to co-operate in working for stability in the region, beset by numerous territorial disputes. They stressed, in a significant overture to China, that both would like to increase co-operation with Beijing. "It is extremely important . . . China play a positive and constructive role," the declaration said.

The US and Japan are to share more intelligence on regional developments and Japan has undertaken to study co-operating with US troops in any future Asian war. This is a controversial step for the Japanese government, since it reopens debate over how the limits of self-defence should be defined under its pacifist constitution. A growing number of voices believe

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Observer, Page 13

Euro-MPs try to halt cash for Ukraine nuclear plants

By Caroline Southey in Strasbourg

The European parliament is attempting to thwart efforts by the Group of Seven western industrial countries to secure financing for the completion of two nuclear reactors in the Ukraine at a cost of $1bn.

The G7 has asked the European Bank for Reconstruction and Development to help secure the financing for the completion of two Ukrainian nuclear reactors, Khmelnitsky 2 and Rovno 4.

The issue is expected to be raised at the nuclear summit in Moscow at the weekend between the G7, Russia and the Ukraine.

The G7 request is controversial because of sensitivities over the bank's involvement in the financing of nuclear power stations in eastern Europe.

The bank was forced to abandon financing the completion of two nuclear reactors at Mochovce in Slovakia when Slovakia refused its tough conditions.

Members of the European parliament are confident they will be able to influence the decision on the two new reactors, claiming that pressure from the parliament was instrumental in the bank's climbdown in the Slovakian case.

The parliament is today likely to agree a resolution calling on the European Union to insist that a study on Ukraine's energy needs be drawn up before any aid for the development of the reactors is disbursed.

The resolution also calls on the EU to fund the building of gas plants instead.

Mr Bernd Lange, a German MEP and member of the socialist bloc, said the reactors were different from the Chernobyl installations, but were still based on "old and dangerous" technologies no longer used in western Europe and the US.

He said the parliament would press for a study on the Ukraine's energy needs and efficiency as a precondition for any aid.

"We are not convinced developing these reactors is the right way to provide energy for the Ukraine. We think it is possible to find a solution without these reactors," he said.

Mr Carlos Pimenta, a Portuguese member of the Liberal group of MEPs, said the parliament would ensure efforts to secure aid for the reactors were blocked "as we did in the Slovakia case".

"We will ensure that no money is provided unless safety studies have been completed. We will make sure the studies are independent and not just a masquerade," he said.

The resolution points out that Ukraine is one of the most energy intensive countries in the world, using at least seven times the amount of energy per unit of GNP as the EU.

It calls for the development of "less expensive and less dangerous sources of energy" and the promotion of energy-saving programmes.

The resolution also points out that 10 years after the Chernobyl disaster, no nuclear stations have been shut down in Ukraine, despite the fact that working conditions at the installations have deteriorated.

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هكذا من الأصل

Strikers force out guests at Norway hotels

By Greg McIvor in Stockholm

Ten leading Norwegian hotels were forced to close yesterday when staff went on strike after the collapse of annual pay talks with employers.

Hundreds of business travellers were left stranded by the first strike in Norway's hotel industry for 11 years. Many were unaware of the industrial action until breakfast yesterday, when they were told they would have to check out.

Three of Oslo's most prestigious hotels were affected, including northern Europe's biggest hotel, the 670-room SAS Radisson Plaza, the Continental, and the Grand Hotel - once a favourite haunt of Henrik Ibsen, the Norwegian dramatist.

The dispute, which is estimated to be costing the three hotels up to NKr24m ($3.7m) a day, hit another seven hotels and restaurants in other cities, including Stavanger and Bergen.

Hoteliers in Oslo scrambled to find rooms for about 500 guests suddenly left without rooms. Hotels were trying to contact guests booked to arrive today. All overnight accommodation within two hours of the capital was last night said to have been filled.

Unless talks between the two sides resume by Sunday, the strike will spread to a further 21 hotels and restaurants across the country, effectively crippling the sector.

The walkouts followed the breakdown of negotiations on a new annual wages and conditions agreement between the 15,000-member Norwegian Hotel and Restaurant Workers' Union and the Confederation of Norwegian Business and Industry, representing employers.

Two weeks of talks, involving mediation by the state industrial arbitration service, have resulted in stalemate.

The union is demanding an average pay increase for its members of NKr4.9, representing a rise of almost 6 per cent. Norway's inflation rate is currently 0.7 per cent, one of the lowest in Europe. Mr Jens Petter Hagen, secretary of the union, said many in the industry were underpaid.

"If hotels in Norway are going to maintain their position and compete on the international market they need people who are qualified, and you have to pay them accordingly," he said.

The union accused employers of imposing an effective pay freeze this year, but hotel industry representatives said they had been given insufficient time to make an offer.

The confederation hinted that a settlement could be offered if negotiations were to restart, but said the NKr4.9 figure remained unacceptable and the confederation was awaiting the union's next move.

There is also tension between the parties over the employers' demand for a switch from centralised collective bargaining to local wage negotiations. They argue this is vital to promote wage flexibility, but it is fiercely opposed by the union, which says it would erode a long tradition of centralised collective bargaining model in the sector.

Norway's hotel industry has been buoyant in recent years, after a boom triggered partly by the Lillehammer Winter Olympics in February 1994. The most recent available figures show total turnover in 1994 was NKr25.6bn – an increase of 10 per cent on the previous year.

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Austerity package attacked for failing to deal with unemployment

Kohl warned by unions over cuts

By Peter Norman in Bonn

Germany's powerful trade unions yesterday warned the government that its plans to cut public spending and restructure the welfare state risked social conflict and could cost jobs instead of creating employment.

With the leadership of Chancellor Helmut Kohl's coalition government locked in negotiations to cut DM50bn ($33bn) from public spending next year and prevent social security contributions rising, Ms Ursula Engelen-Kefer, the deputy chairperson of the German Trade Union Federation (DGB), said the government's plans, so far, were "totally imbalanced" from a social viewpoint.

The unions would "fight with all means" against legislation to limit sick pay, she warned. DGB support for savings, which Chancellor Kohl will seek at a meeting with employers' and union representatives next Tuesday evening, would depend on whether the cuts "made an effective contribution to halving unemployment". Ms Engelen-Kefer said the government had failed to produce a policy to deal with unemployment, which according to official figures stands at 4.14m.

Other union leaders echoed Ms Engelen-Kefer's criticism. Mr Detlev Hensche, the head of the media workers' union, said Bonn's plans were "an alliance against jobs, not for jobs". Any union playing along with the government would be failing in its duty, he said. Ms Margret Mönig-Raane, leader of the shop, bank and insurance workers' union (HBV), said proposed savings were "socially irresponsible, economically unreasonable and pointless in terms of job creation".

Yesterday's chorus of complaint came in response to an austerity and restructuring package that is not due to be completed until late Thursday next week. However, speculation about the government's intentions has been in full spate since Mr Kohl returned from his Easter break at the weekend to hammer out the plans with senior ministers and coalition party leaders.

Press reports have suggested that cherished products of the German welfare state such as full sick pay, indexed linked pensions and childrens' allowances are under threat. Mr Theo Waigel, the finance minister, has hinted that he would like a public sector pay freeze for perhaps two years.

Some painful cuts are certain but the proliferation of conflicting stories also reflects differences among ministers about the package.

Meanwhile, the Bundesbank yesterday highlighted Bonn's growing financial problems with a report that the federal deficit increased to DM20.4bn in the first quarter from DM8.74bn in the same 1995 period. However the bank warned that the figures did not give an accurate picture of budget trends because special factors distorted the flow of income and expenditure both in early 1995 and so far this year.

Funds boost sought for public projects

By Peter Norman

The German government, leaders of building industry unions and employers yesterday agreed to try to boost the private financing of public-sector investments to offset a growing recession in the construction sector.

With the main building employers' federations and the I G Bau trade union, Mr Günter Rexrodt, economics minister, and Mr Klaus Töpfer, building minister, set up a joint working party to report this year on specific public-sector projects that could be financed privately.

In particular, the group will investigate toll-financed infrastructure projects such as roads and bridges and the use of leasing finance to construct university and school buildings.

Yesterday's meeting agreed there should be a compulsory comparison of public-sector and private-sector tenders for federal, state and local authority projects.

Mr Christian Roth, president of the German building industry association, told the meeting that output in the building industry would fall this year for the first time since unification in 1990.

He predicted a 5-6 per cent fall in output, 100,000 job losses and some 6,000 company failures. His forecasts were backed by the Bundesbank, which in its latest monthly report warned there was no short-term prospect of Germany's recession-hit building sector again becoming an engine of growth.

The bank's report painted a picture of an industry in which booming demand in recent years had pushed up employment sha[illegible] and produced cost increases that far exceeded Germany's modest inflation rate.

Employment in western Germany increased by about 10 per cent to about 2m between 1988 and the peak of the boom in 1994.

In eastern Germany, the number of jobs in construction rose to more than 1m in 1995 from 630,000 in 1990. By last year, construction accounted for 17 per cent of eastern German gross domestic product, three times the western German level of 5 per cent.

Hourly wages increased by an average of 5.75 per cent a year between 1988 and 1994 in western Germany while the cost of building advanced by nearly a third over this period.

In east Germany, where pay was much lower at the time of unification in 1990, hourly wages rose 80 per cent, or 12.5 per cent a year, between the start of 1991 and the end of last year.

The bank said the 1.85 per cent building industry wage increase negotiated last week was a "a first step in the right direction" to bringing prices into line with demand. But it warned that "more such steps must follow".

In Bonn yesterday, building industry employers indicated the industry would approve the deal, despite hostility towards it in eastern Germany. The building workers' trade union has already given its reluctant blessing to the compromise.

MEPs caution on the pace of EU enlargement

By Caroline Southey in Strasbourg

The European parliament yesterday warned that the EU risked damaging the internal market if member states forced the pace of enlargement eastwards.

The parliament, echoing a call from EU heads of government, demanded negotiations start simultaneously with all countries applying for membership to "prevent the emergence of two classes of applicant countries," although it recognised some negotiations could last longer than others.

While MEPs want preparatory accession talks to begin as soon as possible after the Inter-Governmental Conference (IGC) ends, they insisted no decision on the outcome could be taken "until the full financial consequences of a future accession are available".

In a sober assessment of the obstacles facing the accession of countries in central and eastern Europe, MEPs backed a report seeking a cautious step-by-step approach to enlargement and the protection of established EU economic, social and political standards.

"Overhasty accession by the countries of central and east Europe on purely political grounds, which would inevitably mean not all conditions with regard to EU legislation were met, would undermine the internal market and not help the Union to function efficiently," the resolution said.

The parliament warned that over-ambitious programmes for accession carried risks for the aspirant member countries, leading to "harmful social consequences" for new members.

As a result, MEPs said that they wanted a "phased plan, taking into account the social dimension, to be drawn up for gradual integration of the countries".

Mr Arie Oostlander, a Dutch MEP and rapporteur for the resolution, said the problems facing central and east European countries were "serious, and the economic starting level is low. In some countries, democracy and the rule of law are still far from achieved".

MEPs sought a "comprehensive monetary strategy" to be drawn up for aspirant members, to ensure currency stabilisation accompanied preparations for European monetary union. They asked the Commission, in co-operation with EU companies investing in the region, to draw up a code of conduct to ensure the EU's environmental norms applied in the new member states.

The parliament stressed the importance of applicant countries "investing in developing better social structures" and that they should "fully respect and comply with the clauses on human rights and the rights of minorities" before becoming full EU members.

The parliament's economic and monetary affairs committee, in its submission to the debate, indirectly challenged claims by some EU politicians, notably Germany's Chancellor Helmut Kohl, that accession for some east and central European countries would be possible by the year 2000.

The "inevitable conclusion" of its assessment was that there was no question of countries acceding "before the next century". To do so would be the "Union's death knell".

The development of the EU's internal market meant little scope to give new members derogations from EU laws, as was the case with Spain, Portugal and Greece. "The possibility of helping the countries with transitional measures and derogations have been severely curtailed since the completion of the internal market," it said.

President Boris Yeltsin yesterday made an election campaign stop in Budennovsk (above), site of a hostage crisis in which hundreds died last year, writes Chrystia Freeland and Dmitry Volkov. Mr Yeltsin's popularity plummeted when Chechen separatists seized more than 1,000 hostages in the town, sparking accusations that he had reduced Russia to chaos. Yesterday Mr Yeltsin sought to counter those charges at their source, assuring the people of Budennovsk that he would bring peace to Chechnya. But his pledge was undermined by continued fighting in Chechnya. Separatists yesterday ambushed a Russian military convoy, killing 26 troops and wounding dozens of others.

EUROPEAN NEWS DIGEST

Schengen pact set to enlarge

An agreement on passport-free travel across Europe is due to be extended northwards today to include Scandinavia, marking another step forward in the tortuous progress of the so-called Schengen arrangement. At a meeting in The Hague, the Schengen group's existing seven participants are expected to embrace three European Union members – Denmark, Finland and Sweden – and to accept non-EU members Norway and Iceland as observers.

The five Nordic nations already operate a passport union among themselves. The enlargement follows a series of setbacks for the group, including a row between France and the Netherlands over the liberal Dutch attitude to drugs. Greece announced unexpectedly last month that it would not ratify the agreement, claiming that the Schengen group's huge data bank could infringe personal liberty.

France, while dropping border controls with Spain and Germany, has insisting on maintaining them with Belgium and Luxembourg on grounds that drugs from the Netherlands are passing through both countries. Spain, for its part, has complained strongly to Belgium over its reluctance to extradite suspected terrorists. *Bruce Clark, Brussels*

Swissair reviews flights plan

Swissair has agreed to reconsider its decision to transfer most of its long-haul services from Geneva to Zurich in the face of strong criticism from the government and business interests. "We will examine how far we can oblige the federal and Geneva government and see where we can make some improvements," Swissair said yesterday.

Politicians in Geneva and in the French-speaking part of Switzerland have criticised the national carrier's decision to take away Geneva's flight connections with the Middle East, West Africa and Los Angeles. The row has highlighted tensions between Switzerland's two main regions and has been viewed as another example of the dominance of the German-speaking area. *Reuter, Geneva*

Steffi Graf's father charged

Mr Peter Graf, father of the tennis player Steffi Graf, was yesterday charged by German public prosecutors with failing to declare about DM42m ($28m) of his daughter's income to the tax authorities, following months of investigations in Germany's biggest recent case of tax evasion.

Ms Graf was not implicated in the allegations, according to prosecutors in the south-western city of Mannheim, but Mr Joachim Eckhardt, the family's tax adviser, was charged alongside Mr Graf.

The two men allegedly submitted false tax declarations or withheld information relating to Ms Graf's income between 1989 and 1993, according to a 237-page document. Mr Graf and Mr Eckhardt have been held in custody pending charges since last August. *Michael Lindemann, Bonn*

Talks on part-time workers

Unice, the European employers' organisation, and the European Trade Union Confederation are to start negotiations shortly on measures to provide part-time workers in the European Union with the same legal rights as full-time workers, it was announced yesterday.

British companies will be exempt from any deal that is made thanks to the UK government's opt-out from the social chapter of the Maastricht treaty, but many British-owned multinational companies will have to extend rights to part-time workers in their EU operations outside the UK.

A voluntary agreement was reached between European employers and trade unions late last year to provide workers with a right to parental leave. *Robert Taylor, London*

Spanish move on conscripts

Spain's Popular party, which is due to form the next government, is expected to propose the phasing-out of compulsory military service as part of a policy pact with Catalan nationalists. The plan, following the French example, would go further than the PP's recent electoral programme, which promised to cut in military service to six months from the present nine months and to move to a fully professional air force, navy and rapid reaction force.

Conscripts make up 63 per cent of Spain's 226,000-strong armed forces, according to Defence Ministry figures. Plans envisage cutting this to less than half of a reduced total of 180,000 at the end of the century. *David White, Madrid*

Solana promises western alliance will not close door to eventual membership

Nato chief seeks to soothe Baltic fears

By Matthew Kaminski in Kiev and Bruce Clark in Brussels

Mr Javier Solana, the Nato secretary-general, yesterday assured the Baltic states that the western allies would not neglect their security interests or close the door to their eventual membership of the bloc.

The Nato chief has this week visited Ukraine and the three Baltic republics before heading on to Poland, Hungary and the Czech Republic, which are viewed as the three most promising candidates for early membership of the alliance.

Opponents of early Nato enlargement have argued that it could have the side-effect of casting Ukraine and the Baltic states, which are unlikely to be included in the first wave of new members, into a Russian sphere of influence. So the itinerary of Mr Solana's first trip through central and eastern Europe amounts in itself to an implicit assurance that Nato will not lose interest in the western republics of the former Soviet Union.

An Estonian official said the alliance chief had promised, during a stopover in Tallinn, that "Nato will develop a strategy for all countries who wish to join, even if they are not in the first wave of enlargement". Earlier in Lithuania, Mr Solana appeared to reject a suggestion by Russia that Nato might expand its political wing but not its military structure. "There is no such thing as a political part of the alliance," he said.

While the Baltic states are all keen to join Nato as soon as possible, Ukraine has said it intends to remain neutral for the time being, though not necessarily for ever.

However, it has been pressing since last September for a special relationship with Nato – including political consultation, and frequent joint exercises – along the same lines as the partnership which the alliance is trying, with mixed results, to establish with Russia.

Nato officials said Mr Solana had promised the Kiev government that the alliance saw no reason to deploy either nuclear weapons or large concentrations of troops on the soil of new member states in central Europe.

The Ukrainian government, for its part, had assured the secretary-general that it had no objections to its western neighbours joining Nato. The Atlantic alliance plans to hold a defence planning seminar in Ukraine this summer.

Russian military experts have hinted darkly that their country might try to re-establish control of the Baltic states if Nato expands to its immediate east.

Last month, a Russian general accused Nato of preparing a 60,000-strong force – to be based in Germany, Denmark and Poland – with the aim of intervening in any clash between Moscow and the Baltic republics. Nato officials said they knew nothing about any such force, but they said Mr Solana had detected some anxiety, particularly in Estonia, about the threatening noises which have come from certain quarters in Russia.

The secretary-general told the Baltic states he could not prejudge the outcome of forthcoming deliberations at Nato on the "who and when" of enlargement. But, in the meantime, they should take full advantage of the military co-operation Nato was offering.

Consultancy blooms in Ukraine's sunnier climate

Western firms have poured in to take advantage of the country's attempts to rebuild its commercial life after decades of communism, writes Matthew Kaminski in Kiev

Smoky and hot, the "Karambol" tends to be an evening's final port of call for western consultants in Kiev. So it was when KPMG Netherlands opened its Ukraine office at a smart reception earlier this month and then treated its guests to rounds at the beer and billiards bar.

The Dutch firm, the last of accountancy's "big six" to come to Kiev, expects its consultancy business to take off sharply from the start, as it has done in other eastern European countries, according to director Mr Max Groen. Straight audit work will follow.

More than seven decades without commercial life in Ukraine have laid the ground for a consulting boom after the fall of communism. Hundreds of western experts are offering to advise on everything from sunflower oil output to the steel industry.

Foreign aid drives the growth. The more than $1.65bn received from the US and European Union in the four years since independence exceeds by far the approximately $700m total foreign direct investment. About half the aid goes to technical assistance which, roughly translated, means consulting.

Tacis, an EU scheme geared for the ex-Soviet republics, pays for 156 projects in food and agriculture, military conversion, nuclear safety and finance and banking. Member countries put up $50m a year, and mostly western European consultancies get the work.

BDPA, a French agricultural policy consultancy, last year won a contract to start farm reform projects in three pilot regions. Mr Dominic Etienne worked in Africa and Latin America for 27 years, before heading to Ukraine and overseeing a nine-man team.

"We are used to this kind of life," said Mr Jean-Philippe Dutilleul, his 45-year-old colleague, who travels regularly from Paris to Kirovohrad, a sleepy town at the heart of Ukraine's bread basket. "The first thing I asked my wife to send is a cookbook," he said.

Most stay in Kiev, however, where the experienced specialists blend easily with throngs of young consultants, many of them on their first job after university. The International Finance Corporation, the World Bank's private sector arm, hires its foreign staff for three separate privatisation contracts usually straight from graduate programmes in Russian studies. Both types of consultants elicit gibes about youth or irrelevance from western and local critics.

At first, Tacis funded many long feasibility studies for commercial projects that never took off. "[Consultants] used to come in here, write a report that now sits around collecting dust, and leave a bunch of invoices," a western official said.

Consultancies, on average, are paid Ecu550 ($700) a day by Tacis. "You look at what they earn," the official added, "and quite often what they do is not useful." Similarly, US foreign aid contractors are sometimes derisively called "Beltway bandits", after the freeway surrounding the US capital.

An EU official said that Tacis now focuses on hands-on, rather than policy, work in agriculture, finance and energy – areas that economists argue Ukraine needs to overhaul if a vibrant free market is to take root.

Donors are quick to counter that Ukraine benefits in unexpected ways, too. Local staff pick up marketable skills, helping to end the country's long isolation from the west.

But Ukraine does not consider itself a developing country, and government officials often resent outside advice from consultants who spend little time in the country. "A lot of people usually only put their toes in," said Mr Michael Willard, managing director in Kiev of Burson-Marsteller, a large US public relations company. "It takes a while to get to know the market, the people and how valuable they are to a business."

In common with many western firms, Burson-Marsteller came to Kiev on a foreign assistance project – advertising Ukraine's mass privatisation programme, courtesy of the US Agency for International Development – and stayed.

Commercial practices can benefit from the contacts made through foreign aid work. That is why Arthur Andersen, the largest of the "big six", takes on the occasional assistance contract, according to Mr William Senkiw, the firm's managing partner in Kiev. Local staff have grown from six to 100 in just four years, largely thanks to commercial business. Half its practice is devoted to consulting.

Their consulting work differs little from that done in the west except in "the degree of sophistication" and the weak commitment among local management to change, said Mr Senkiw. "The only reason local companies will hire us is when they're told to do so by a potential foreign investor."

Kiev's economy certainly benefits. The "Karambol" fills up nightly and new, mostly expensive restaurants open each month, tailored to the western expense account and the new Ukrainian commercial elite.

The rush for western-standard commercial and residential space, and the low supply, has pushed up property rates to $65 per square metre, second only to Moscow in the former Soviet Union.

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Parties limp to the start line in Italy

By Robert Graham in Rome

It is tempting to see Italy's third general election in four years as a repetitive game of musical chairs: the same parties are offering the same polices to an unenthusiastic electorate.

Yet despite the short gap between the March 1994 general elections and Sunday's poll, there are important differences. Even if the outcome is a close as seems likely, there will be important shifts of power within the two broad alliances and these will have an important impact on the formation of the next government.

Neither the centre-left "Olive Tree" alliance or the rightwing Freedom Alliance have survived the campaign covered in glory. Both approach the finishing line looking tired and vulnerable. The centre-left has failed to sustain a bandwagon effect of optimism which began to emerge last weekend. While the right, which clearly won the first part of the campaign, has faltered on rash promises of job creation and tax cuts.

Private opinion polls which cannot be published during the campaign give the edge to the centre-left. The financial markets view of the centre-left as a more responsible force in government with better qualified ministerial material has seen the lira strengthen.

The markets may have become just a bit too sanguine about the outcome; but on balance the centre-left seems likely to do better. In the senate, where the under-25 vote is excluded, the centre-left is expected to obtain a majority.

If the advance of the centre-left is confirmed, it will be because Mr Silvio Berlusconi's two-year-old Forza Italia movement has lost its credibility as a moderate force for change. On the other hand, the failure of the centre-left to win – given the disastrous experience of the Berlusconi government in 1994 and the rising strength of the rightwing National Alliance (AN) of Mr Gianfranco Fini – will underline the country's profound mistrust of the left. Italy is the sole European democracy where the left has not been in government since 1946.

The Olive Tree alliance, created a year ago, underscores the transformation in the strategy of the parties on the centre left since 1994. They have realised the dominant force, the former communist Party of the Democratic Left (PDS), must appeal beyond the faithful to the centre vote if it has a chance of winning.

Equally those who fought alone in the centre – the bulk of the old Christian Democrats regrouped as the Popular party (PPI) – realised they had to move into a broad alliance to survive. The Olive Tree was formed from a symbiosis of these two factors.

As a result the left has been pulled more towards the centre. This is underscored by the leadership of the Olive Tree having been entrusted to Mr Romano Prodi, the Bologna economics professor linked to the Christian Democrats.

Also Mr Lamberto Dini, the caretaker premier and generally considered to the right of the centre, has formed his own party, Dini Italian Renewal, and allied himself with the Olive Tree. A further cog in the centrist wheel is provided by Mr Antonio Maccanico, the man who failed to form a government of national reconciliation in January. He has his own grouping linked to the PPI.

This pull towards the centre has made even more delicate the relationship between the Olive Tree and Reconstructed Communism (RC), the hardline of the old Communist party which commands about 8 per cent of the national vote. Without tacit support from RC, the Olive Tree cannot hope to win a majority in parliament.

To this end, a series of "desistence pacts" have been agreed – deals whereby RC candidates stand down in one place in return for support from the centre-left in others. But RC remains an unacceptable partner in government and frightens off many Catholic voters in the centre.

If the left has been pulled more towards the centre to compete for the majority of the 48m voters, the right has moved in the opposite direction. Mr Berlusconi won the 1994 elections with two separate alliances. One he sealed in the north with the populist Northern League of Mr Umberto Bossi; the other with Mr Fini's AN in the centre and south. He was also backed by the right of the old Christian Democrats, the Liberals and Mr Marco Pannella's radicals.

This was called The Alliance for Freedom and Good Government. In these elections, Mr Berlusconi has a pact with AN and the League is fighting the North on its own – leading to a renaming of the alliance to the Freedom Alliance.

The defection of the League has turned the north into a three-cornered fight with unpredictable consequences. As many as 70 seats in the 630-seat chamber won by the League in 1994 with Forza Italian backing are now open to all. These marginal seats could determine the difference between a hung parliament and a clear majority. Mr Bossi's strategy is to rely on a hard core of faithful votes with a secessionist message, hoping to gain enough seats to hold the balance of power in a hung parliament.

The other major difference is that Mr Berlusconi is no longer the uncontested leader of the right. Mr Fini in 1994 was carried along on the strength of Mr Berlusconi's popularity and was very much a junior partner. Now he has emerged as the dominant partner and the AN could well obtain more votes than Forza Italia.

Grand alliances and the man in the middle

L'ULIVO

Romano Prodi leader of the Olive Tree Alliance

Says he will only become prime minister if the alliance wins a clear majority

LEGA NORD

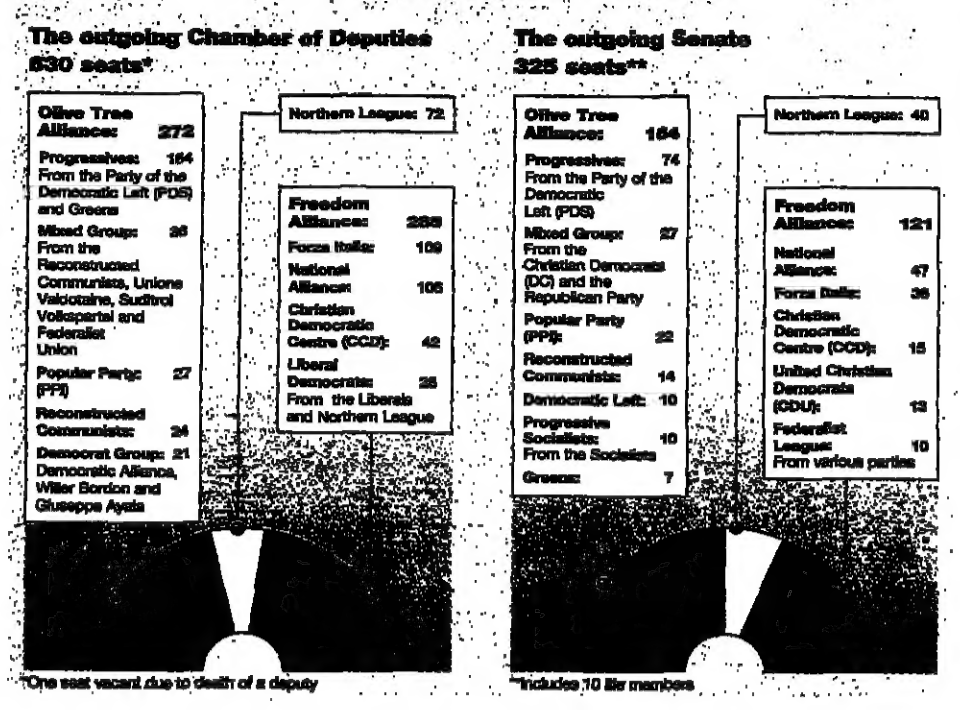
Umberto Bossi leader of the Northern League

Playing the secessionist card, hoping to be the power broker in a hung parliament

POLO PER LE LIBERTA'

Silvio Berlusconi leader of the Freedom Alliance

Struggling to overcome the challenge to his leadership of the alliance



Shake the 'Olive Tree' and a political party will drop

Voters wooed by 300 groups

By Robert Graham in Rome

Between parties and candidates, the Italian voter is overwhelmed by choice, with four separates votes to elect a new parliament from more than 300 groupings large and small.

Yet paradoxically the voter has traditionally had little say in the most important aspect of an election – who governs the country next. The vote is for people and parties, not for governments. This is because a highly imperfect electoral system encourages the formation of alliances to win elections rather than to govern.

The system, used for the first time in the March 1994 general elections, is a mix of the first-past-the-post principle and proportional representation. In both houses 75 per cent of the seats are contested under the first-past-the-post system and the remainder by proportional representation.

Since no party can muster more than 20 per cent of the vote and most under 10 per cent, the politicians are obliged to pool their resources into broad alliances to win the bulk of the seats (the centre-left Olive Tree and the right's Freedom Alliance).

The number of candidates contesting the 475 majority vote seats in the chamber of deputies has fallen 27 per cent to 1,574 since the last election.

This works out at an average 3.3 candidates per seat compared with the average of 11.8 candidates fighting each of the 155 proportional seats in the chamber. The huge difference is explained by the proportional system encouraging small parties and working against the bigger parties.

Italy is divided into 27 electoral colleges with varying numbers of seats. Via a mathematical formula based on the number of seats and votes, a "quotient" is established which is the minimum number of votes required to win any proportional seat. A party's total national vote is then added up and must reach a minimum 4 per cent (around 1.5m votes). From this total is then subtracted that number of votes which have been used to elect winning candidates in the first-past-the-post seats. In other words, small parties which do badly under the majority vote can recoup on the proportional.

Within the two alliances seats in the first-past-the-post system have been allocated broadly on the basis of the performance in previous elections. Thus the PDS has 48 per cent of all the candidates in the Olive Tree alliance standing for the chamber and 52 per cent for the senate. The remainder are divided up among seven different groupings, leading to some awkward negotiations to accommodate prime minister Lamberto Dini's late arrival on the scene.

The vote for the senate excludes 12 per cent of the electorate

Equally on the right, the small former Christian Democrat groupings have found themselves excluded from most of the first-past-the-post seats. The division of seats also favours Forza Italia over the National Alliance, a situation which could prove embarrassing if the latter obtains a higher percentage of the national vote.

In the senate, meanwhile, only those aged 25 and over can vote, excluding 12 per cent of the electorate. This coupled with a different geographical distribution of the seats, favours the centre-left in the upper house. The bicameral system, with equal powers in both houses, means a stable government must control both the chamber and senate.

Insurance payout for man who hid HIV

By Andrew Jack in Paris

A French insurance group yesterday agreed to repay the balance of a housing loan to the family of a man who died of an Aids-related illness and who had not told the insurance company he was HIV-positive when he took out the loan.

The reimbursement, triggered by a court ruling in Strasbourg and made public yesterday, came in spite of accusations from the insurer that the person who had taken out a contract had made a false medical declaration.

Les Assurances du Crédit Mutuel agreed to repay FFr90,000 ($17,716) from a FFr250,000 property loan which it had demanded from the man's family after his death.

The man, identified as "Michel", aged 47 in 1986, had replied No to two questions on the insurers' questionnaire, which asked whether he suffered from an illness or infirmity of any sort; and whether he was following any treatment or was under medical supervision.

He was already aware that he was infected by the HIV virus, and the insurer later took an action against the man's family to repay the balance of the loan on the grounds that he had made a false declaration.

His family argued in court that he had filled out the questionnaire in good faith, because he was not "ill" with Aids at the time he signed the document, and that he was not following any treatment but simply some "attempted therapy".

The tribunal found in favour of the family.

It accepted their arguments which stated that during 1985-86, medical specialists were far less aware of what would happen to those who had the HIV virus.

The insurance group decided not to appeal against the court's ruling, but said it had made this decision because of the relatively small amount of money concerned.

Party bickering threatens to disrupt congressional agenda

Dole under pressure over immigration

By Jurek Martin in Washington

Election year party bickering is threatening to wreck the congressional legislative agenda and is posing difficult political choices for Senator Bob Dole, the majority leader and presumptive Republican presidential nominee.

On Tuesday night Mr Dole abruptly pulled the immigration bill from the Senate floor, accusing Democrats of trying to attach non-germane issues to the legislation, among them an increase in the federal minimum wage. Much of his anger, echoed even more forcefully by other Republicans, was directed at Senator Edward Kennedy, the Democrat from Massachusetts and a leading proponent of better pay for the most impoverished workers.

Senator Don Nickles, the Republican from Oklahoma, warned of retaliation against Mr Kennedy. This could, he said, take the form of delaying consideration of the health insurance reform bill sponsored by Mr Kennedy and Senator Nancy Kassebaum, the Republican from Mr Dole's home state of Kansas.

Democratic pressure to increase the minimum wage, egged on by both the Clinton administration and organised labour, is by no means confined to the Senate. The House Democratic leadership has written to Congressman Newt Gingrich, the Speaker, threatening to disrupt daily business if he does not schedule the floor vote on the issue which they claimed he unfairly refused to grant last month.

An increase could possibly pass the Senate if a vote were ever taken. Its prospects in the House look less good, though 13 Republicans this week came out behind a full dollar's increase over two years from the current $4.25 an hour to $5.25, 10 cents more than the White House and congressional Democrats have been urging.

There was speculation last week that Mr Dole himself, while unwilling to hand the Democrats any kind of decisive legislative victory, was prepared to consider a compromise 45 cents an hour one-year increase. He will be as aware as the Democrats of polls which show upwards of 80 per cent support for an increase in the federal minimum wage, the base pay for well over 10m American workers.

Mr Dole had problems with the immigration bill, a substantial election year issue in such states as California, from within his own party as well as with the opposition. Senator Alan Simpson, the Republican from Wyoming, still wants any crackdown on illegal immigration coupled with reductions in the admission of legal aliens.

This flies in the face of a vote in the House last month to split the bill into two parts, with existing levels of legal immigration mostly preserved. Business interests, traditionally large supporters of the Republican Party, had made clear they wanted continued access to the international talent pool, particularly in the high technology sector.

The Kennedy-Kassebaum health insurance bill, providing for greater portability of policies and guaranteed coverage for those with existing medical problems, also commands broad political and public support in its present form.

But Mr Dole is under pressure from conservatives to attach amendments giving preferential tax treatment to so-called medical savings accounts, under which individuals can set aside sums for future spending on healthcare. The administration and many Democrats are strongly opposed to thus scheme.

Balaguer casts shadow over poll

Canute James on the not-so-retiring president of the Dominican Republic

Confounding his critics and supporters after saying he was retiring, the Dominican Republic's most influential politician is casting a large shadow over presidential elections to be held next month. The octogenarian Mr Joaquin Balaguer has now said he will not be standing and will be supporting the candidate of his Reformist party. Just a week earlier he indicated that he was reconsidering his retirement after six terms in office. Many Dominicans believe they have not heard the last of Mr Balaguer.

If he sticks to his latest undertaking to stand down, it will be the first time in 30 years that the people of the Caribbean nation will not be making a choice from any of the old men of Dominican politics. Mr Juan Bosch, Mr Balaguer's perennial arch-rival, also in his 80s, retired from politics three years ago because of ill-health.

The election was called two years early after Mr Balaguer won in 1994 by a handful of votes, amid charges from the losing candidates, supported by foreign observers, that the event was tainted by widespread fraud and mismanagement. In the wake of consistent pressure, mainly from the US, the government agreed to an early vote and to isolate the administration of elections from party political pressures.

According to the polls, the front-runner to win on May 16 is Mr Leonel Fernandez, a 42-year-old lawyer and Mr Bosch's successor as leader of the Dominican Liberation party which started life as a Marxist organisation but now advocates a market economy.

His main challenger is Mr José Francisco Peña Gomez, leader of the social democrat Dominican Revolutionary party, and a perennial loser to Mr Balaguer. Mr Peña Gomez, who is black, and whose supporters frequently claim that he is the subject of racial slurs, will lose again if elements in the leadership of the incumbent conservative Reformist party have their way. Many have thrown their support behind Mr Fernandez, weakening the official Reformist candidate, Mr Jacinto Peynado, the foreign minister.

Neither Mr Fernandez nor Mr Peña Gomez will be a convincing winner, say functionaries of the main parties. This will force a run-off which will favour Mr Fernandez. In that event, Mr Balaguer would instruct Reformist voters to support Mr Fernandez.

Dominicans believe that the changes that will follow the installation of Mr Balaguer's successor in August will be more style than substance. The progressive deregulation of the economy, started with a clearly reluctant Mr Balaguer under pressure from foreign donors and creditors, will be continued, said Mr Alfonso Lockward, a political analyst with ties to the Reformist party.

"The main issues have already been agreed with the international community and will be implemented by the new administration," he said.

This expectation of a seamless change is shared by Mr Luis Manuel Piantini, deputy governor of the central bank, who suggested that an expanding economy has contributed to a calmer political atmosphere in the country of 7m people.

Balaguer and aides: making way for younger men

The election campaign is devoid of arguments about issues, and based on repeated promises from the candidates to improve the lot of Dominicans, spiced with colourful descriptions by the candidates of each other's attributes.

"Decisions will have to be made by the new administration on issues such as the privatisation of state companies, and the implementation of legislation which will permit the sale of the electricity company," said Mr Hector Guiliani Cury, deputy secretary of state for finance.

A nationalised economy was central to Mr Balaguer's perception of a modernising country, and the president has found it difficult to divest these enterprises.

The election coincides with an improvement in the country's economy which expanded by 4.8 per cent last year, according to the central bank. "We are very optimistic about the economy and expect the expansion to continue this year in all the major sectors," said Mr Piantini.

Growth was fueled by expansion in communications, tourism, mining, transport and construction. Sugar, once the pillar of the economy, contracted because of problems that overtook the heavily-indebted state-owned producer.

Income from tourism last year was mainly responsible for covering a merchandise deficit of $2bn on a trade volume of $3.5bn, building international reserves by just more than $100m during the year.

If any of the pretenders to the presidential palace wish to make a clear indication of change, it could be as dramatic as moving from darkness into light. The country has been suffering from years of inadequate electricity supply, so chronic that business leaders refer to the problem as a crisis. The state-owned company, whose future is subject to protracted and so far inconclusive debate by legislators, cannot keep pace with increasing demand. It has also had difficulty paying private companies which supply power for the national grid.

"Getting us a proper supply of electricity will tell the Dominican people that they have entered a new era," said one business leader, who was reluctant to be named. "President Balaguer could not have been aware of the grave disadvantage the country has been enduring," – a criticism, perhaps unkind, of the outgoing president, who is blind.

Housing starts signal growth

By Michael Prowse in Washington

US housing starts fell modestly last month but remained at levels that historically have signalled solid economic growth, official figures indicated yesterday.

The Commerce Department said starts dropped 3.9 per cent to a seasonally adjusted annual rate of 1.447m, roughly in line with analysts' projections. Revised data showed starts rose to 1.505m in February, the highest level in a year. During the first quarter starts were 12 per cent higher than in the same period of last year, providing further evidence of economic recovery after sluggish growth late last year.

However, economists said starts had probably now reached a plateau and could weaken later this year, given the recent rise in long-term interest rates. Mortgage rates fell sharply in the second half of last year but have recently climbed steeply in response to higher bond yields. Rates on 30-year home loans averaged 8.05 per cent last week, compared with 7.03 per cent in January.

Building permits – a guide to future construction activity – were flat last month but 14 per cent higher than in March last year. Regionally, the biggest improvement in housing markets was in the north-east where starts rose 10 per cent following a large gain in February.

Mulroney attacks Canadian justice department

By Robert Gibbens in Montreal

Former Canadian prime minister Mr Brian Mulroney testified yesterday that the federal justice department acted as "judge, jury and executioner" in searching for evidence to support allegations that he took C$5m in kickbacks on a C$1.8bn sale of Airbus Industrie aircraft to the then government-owned Air Canada in 1988.

Mr Mulroney, who categorically denies the allegations, was testifying in a pre-trial hearing of his C$50m libel suit against the federal government and the Royal Canadian Mounted Police (RCMP).

He said that documents used by the justice department and the RCMP in the search were "filled with falsehoods" and the kickback allegations were "a terrible blow" to himself and his family, costing him weeks of lost sleep and extreme worry.

Mr Mulroney, who was Conservative prime minister from 1983-93 and is now a prominent corporation lawyer and company director, said he offered to resign all his boardroom seats after the allegations became known last year, but the offers were turned down.

Mr Mulroney launched his unprecedented action last November – it is the first time that a former Canadian prime minister has sued his country.

A justice department lawyer had sent a confidential letter to the Swiss authorities in September seeking access to three private Swiss bank accounts through which the RCMP alleged the money was channelled.

Mr Mulroney, through his lawyers, had said earlier that he "never directly or indirectly maintained a Swiss or foreign bank account." He also denied influencing Air Canada's decision to buy Airbus aircraft.

Airbus has denied paying kickbacks to anyone to secure the sale.

Pre-trial hearings in a civil case are a lawyer-to-lawyer procedure normally held in chambers but the media were invited because of the unusual nature of the suit. The judge will hear objections to the suit on April 30.

Mr Mulroney has maintained the Airbus allegations were made by "misguided, incompetent and possibly vengeful officials using unsubstantiated media reports and resulting in irreparable damage to his reputation." He seeks C$25m for lost income and C$25m in moral damages - the latter to be donated to charity if he wins.

NEWS: INTERNATIONAL

IMF urges assault on high public borrowing

The Fund's World Economic Outlook targets pension reform as an essential policy change. Reports by Robert Chote

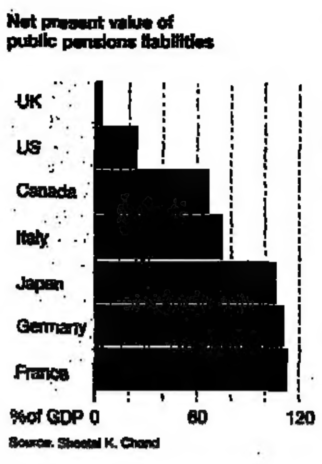
Government debt is set to reach unsustainably high levels in most industrial countries, unless pension systems are reformed and budget deficits tackled more effectively, the International Monetary Fund warned yesterday in its latest World Economic Outlook.

In preaching fiscal virtue, the IMF sought to reassure governments that reducing their borrowing would not necessarily impede the growth of their economies. The Fund said it was better to cut budget deficits by reducing government spending than by increasing taxation and argued that fiscal retrenchment was more likely to succeed if it involved fundamental policy changes rather than piecemeal reforms.

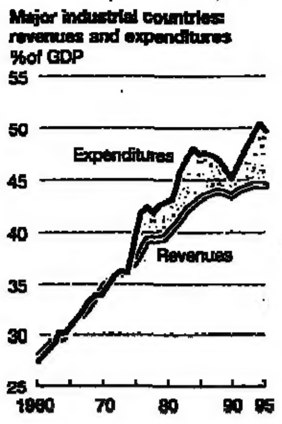
To its other member governments, the IMF offered variations on the same theme. Many developing country governments have already made good progress cutting their borrowing, but others need to move more quickly and to make sure that existing policy initiatives remain on track. The challenge in many transition economies, meanwhile, is to curtail the role of the state while addressing the adverse short-term social consequences in an effective and affordable way.

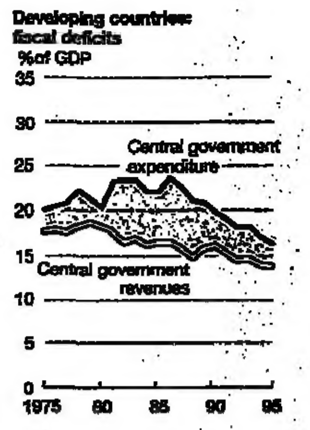
Over the past 150 years the public finances of industrial countries have usually moved into serious deficit only in times of war. But large deficits emerged after the first oil crisis in the mid-1970s and widened dramatically after 1980. The IMF believes that higher social security transfer payments are largely to blame, along with increased subsidies and higher debt interest payments. As a proportion of national incomes, transfers and subsidies rose from an average of 8 per cent in 1960 to 21 per cent in 1992.

Public pension and social spending has grown as targeted safety nets have become universal benefits and as the beneficiaries of these schemes have grown in number and political influence. Generous benefits for the jobless have meanwhile increased structural unemployment, especially in Europe, raising transfer spending directly as well as shrinking the pool of earnings available to be taxed. The "tax base" has also been depressed relative to expectations by the slowdown in productivity which followed the early 1970s. This has "imposed a harsher budget constraint than policymakers or voters expected or seem to have realised", at the same time that greater openness in world capital markets has encouraged governments to borrow more.



Source: Sheetal K. Chand





The Fund argues that big budget deficits and high public debt are a problem because they discourage private saving and push up global real interest rates. This discourages investment and impedes growth. Borrowing to finance transfer payments can also result in unfair redistributions of income, with today's retirees gaining at the expense of tomorrow's workers.

This inter-generational problem is being exacerbated by demographic trends, as the post-war "baby boomers" move through their working lives towards retirement. As a result the tax base is set to shrink at the same time as demands for pensions and healthcare rise. As most public pension schemes are funded on a "pay as you go" basis from current taxes, this is storing up fiscal problems for the future.

To judge the scale of these problems, the Fund estimates that the unfunded liabilities of public sector pension schemes exceed two-thirds of national income in all industrial countries bar the US and UK. In Japan, France and Germany, unfunded liabilities exceed 100 per cent of national income.

Public pension schemes in all industrial countries face "contribution gaps", which is to say that current contribution levels are too low to prevent their net asset or liability positions from deteriorating. Germans, for example, would have to raise their public sector pension contributions by 3.4 per cent of national income to stabilise their system. Japan and France have similar contribution gaps to Germany's, while Italy has a gap of 2.5 per cent, the US 0.8 per cent and Britain only 0.1 per cent.

The Fund argues that tackling this problem by raising contribution levels would be politically difficult in many countries, so benefits should be reduced and retirement ages raised. Raising the retirement age to 67 alone would be sufficient to eliminate the contribution gaps in France, Italy, the UK and Sweden. Contribution gaps will grow quickly if remedies are delayed, but the Fund warned that proposals to move from "pay-as-you-go" to fully funded pension schemes would involve big transitional costs.

The case for fiscal belt-tightening is now widely accepted among policymakers across the industrial world, but some are worried that cutting government borrowing would constrain economic growth by weakening demand.

However, the IMF argued that the experience of consolidation episodes over the last 25 years showed that this need not be the case.

"Successful" consolidations – those which cut the ratio of government debt to national income by at least three percentage points over two years – were associated with stronger growth and rising employment, Fund economists found. "Small reductions in budget deficits may reduce aggregate demand, while large adjustments may revive confidence and expectations so that growth is given a boost", the Outlook said. By inspiring financial market confidence, big fiscal adjustments may also have allowed the authorities to cut interest rates more.

The IMF also argued that fiscal consolidations achieved through government spending cuts were more likely to succeed than those driven by tax increases. Successful consolidations also involved bigger cuts in public sector wage bills than unsuccessful ones.

"When governments try to solve their budget problems by raising taxes, and not by braking spending in hard-to-rein-in categories, the higher revenues tend to be absorbed and the government share of the economy continues rising."

In advocating further fiscal consolidation in developing countries, the Fund warned that cutting public sector wage bills could be counter-productive, by reducing efficiency in areas such as tax administration.

Editorial Comment, Page 13

Loss of momentum behind economic growth seen as temporary

Prolonged slowdown ruled out

Economic growth slowed more sharply than expected in western Europe and North America last year but, with temporary factors lying behind the loss of momentum, the IMF does not expect "a prolonged or generalised slowdown".

Subdued inflationary pressures, relatively low long-term real interest rates, rising equity prices and the correction of serious misalignments between the world's leading currencies all point to "continued, relatively solid world growth," the Fund said in its latest World Economic Outlook. World trade is expected to continue growing unusually strongly relative to output.

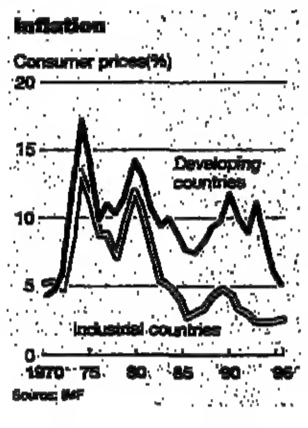
Industrial country economies are expected to expand by 2 per cent this year and 2.6 per cent in 1997. Growth should pick up from 1.8 to 2.2 per cent in the US and from 2.7 and 3.1 per cent in Japan. Taking the European Union as a whole, growth should accelerate there from 1.8 per cent this year to 2.7 per cent in 1997, with the performances of the "hard currency" countries and the "devaluers" gradually converging. Inflation in the industrial countries is expected to remain subdued, rising from 2.3 per cent this year to 2.5 per cent in 1997.

The Fund said that the proposals of both the US administration and Congress to cut the budget deficit were disappointing. It urged that "the debate over the budget should be resolved in a manner that ensures continued deficit reduction in 1996 and the next several years". It also argued that "substantial tax cuts should be postponed until deficit reduction is substantially achieved". Japan would have to rein in its budget deficit and raise interest rates once its economic recovery was well established.

The world economy should also be insulated from the deceleration in the industrial economies by continued strong expansions in the developing countries, the Fund believes. IMF economists have downgraded their growth forecasts for Latin America this year and next to 3.1 and 4.8 per cent respectively, but have raised their 1997 predictions for Africa and Asia.

"Growth performance in Africa is expected to continue to improve as a result of the implementation of stronger macroeconomic and structural policies in an increasing number of countries in recent years," the Fund said. It predicts a 5.3 per cent rise in output there this year, easing to 4.5 per cent in 1997.

The Fund said the slight slowdown it expected in Asia would alleviate the inflationary pressures and current account imbalances there which have been fuelled in part by large inflows of private sector capital. In the developing countries as a whole, inflation is forecast to subside from 12.6 per cent this year to 9.8 per cent in 1997, only a fifth of the rate seen as recently as 1994.



Source: IMF

The economies of central and eastern Europe are forecast to grow by 4 to 5 per cent in 1996-97, a similar rate to that seen last year.

Maastricht goals 'within reach for most countries'

Most European countries have "at least some chance" of meeting the Maastricht convergence criteria for participation in a single currency next year, the IMF said yesterday. But it believes that qualification by a sufficiently large number of countries is by no means assured.

The Fund said that further action to reduce government borrowing was essential if progress towards a single currency was to continue as planned.

The recent slowdown in the European economy has complicated the convergence process by depressing tax revenues and boosting social security spending, although the Fund expects a number of countries to be "within striking distance of the 3 per cent reference value for fiscal deficits".

Given these prospects, the Fund said that "the additional effort required to meet the Maastricht criterion in 1997 would seem feasible and worthwhile, given the more general need to strengthen fiscal consolidation in these countries". But it added that it would be difficult for many countries to meet the fiscal target if economic activity turned out significantly weaker than expected.

The Fund argued that respect for the Maastricht criteria was important, but observed that "the historic decision to introduce a common currency, and the related decision on which countries will initially participate in this endeavour, presumably will reflect broader political and economic considerations". It noted that most EU governments feared that postponing the starting date for a single currency could undermine the confidence of financial markets and weaken convergence efforts.

The Fund welcomed the German proposals for a "stability pact" which would keep the fiscal deficits of European Monetary Union participants to no more than 1 per cent of national income in normal times. "Overall, the success of the monetary union may well hinge on the ability of governments to make binding commitments to appropriate mechanisms for fiscal discipline beyond the test year of 1997," the Fund said.

Labour market reforms were also necessary to reduce the gap between wage costs and productivity for the most vulnerable groups of workers. "Indeed, there are many reasons why economic performance in the monetary union would be much better, and the potential drawbacks associated with the loss of the exchange rate instrument much smaller, if European labour markets were more flexible".

Israelis demand formal truce with Hizbollah

By Julian Ozanne in Jerusalem and David Gardner in Beirut

Israel yesterday confirmed that it was seeking a formal written ceasefire with Lebanese guerrillas as it continued air and artillery attacks on Lebanon in defiance of growing international and domestic criticism.

Mr Shimon Peres, Israeli prime minister, said he wanted written understandings from Hizbollah and Syria instead of the oral understandings brokered by the US which ended Israel's last devastating blitz against Lebanon in July 1993.

Mr Peres also said Israel's offensive, which has involved more than 1,000 aircraft sorties and 11,000 shells and killed at least 31 people, could continue for several more days until a formal agreement was reached. "We have no guarantee that it will end in a day or 24 hours or a few days. It could certainly continue," he said.

The prime minister also continued to brush aside a French effort to broker a ceasefire deal, backed by Syria, Lebanon and Iran in favour of US mediation efforts.

However, a US-Israeli drafted ceasefire proposal which greatly extends the July 1993 understandings and would force Lebanon and Syria to curb severely Hizbollah attacks against Israel and against Israeli soldiers occupying parts of southern Lebanon was rejected by the Hizbollah yesterday.

"To us the American proposal means suicide," said Mr Ali Ammar, a Hizbollah member of the Lebanese parliament. "We believe that the American side is not fit to launch any initiatives because it provides the political, moral and military cover for the Israeli aggression."

Lebanon has also given a preliminary negative response to the US-led ceasefire proposal although Lebanon's foreign minister, Mr Faris Bouez, said yesterday his country had not yet formally rejected it and was seeking alterations to the document.

The lukewarm reception given to the US proposal has encouraged France to extend the Middle East mission of Mr Hervé de Charette, its foreign minister.

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NEWS: WORLD TRADE

Mobil to buy 25% of big Asian oilfield

By Sander Thoenes in Almaty

Mobil, the US oil company, said yesterday it would purchase a 25 per cent share in Tengizchevroil, one of Kazakhstan's biggest oil fields with estimated reserves of between 6bn and 9bn barrels. Chevron, also of the US, already has a 50 per cent holding in the field.

Mobil said the Kazakh government had agreed to sell half its 50 per cent share for an undisclosed sum.

The move follows an announcement this week by Mr Vagit Alekperov, president of Lukoil, one of Russia's biggest companies, that it had reached preliminary agreement for the purchase of a stake in Tengizchevroil.

The announcement is the latest sign that the Tengiz venture is about to revive again after three years in limbo for lack of a reliable export route.

"It's sign of confidence in the economics of the Tengiz project as well as the probability of an export pipeline going ahead," said Mr Steven O'Sullivan, oil analyst at M C Securities, a London-based investment bank. "There's now more momentum behind all of this."

Western oil executives predict a breakthrough agreement next week on construction of an export pipeline linking Tengiz and other oil fields in Kazakhstan to the Russian port of Novorossiisk. "Many of the issues seem to be resolved," one oil executive close to the negotiations said. "It will all come together soon."

Central Asia, though rich in natural resources, has seen its economy decline for lack of independent export routes for its oil and gas, leaving it dependent on Russia even after the break-up of the Soviet Union.

Chevron has kept investment in Tengiz, estimated to require $20bn, down to about $1bn because of insufficient access to Russian pipelines. It boosted output only recently, when Russia raised the amount of Kazakh oil it would let through its pipelines from 1m tons to 4.5m tons a year.

An agreement on the Tengiz pipeline is likely to boost faith in a range of other energy projects, such as the Karachaganak oil and gas field in north-western Kazakhstan developed by British Gas and Agip, and the Azerbaijani offshore fields, developed by a consortium of western companies. Mobil has two exploration ventures in Kazakhstan, including a potentially large field under the Caspian Sea.

Chevron, Mobil and a number of other western and Russian oil companies are negotiating in Moscow with Russian, Kazakh and Omani officials for an agreement on joint construction of an export pipeline from Tengiz.

Until recently, the consortium included only the governments of Russia, Kazakhstan and Oman and had failed to obtain financing because Chevron, the pipeline's main potential client, refused to join in unless Oman cut its share of the venture to reflect its limited investment. Oman backed down in March, enabling the consortium to solicit fresh investors for a 50 per cent stake.

Negotiators predict that Chevron, Mobil, British Gas, Agip and Oryx, the major oil producers in Kazakhstan, will conclude negotiations on investment in the pipeline venture next week. Lukoil and one or two other Russian oil companies are expected to join in as well, in a trade-off aimed at increasing Russia's incentive for co-operation.

Mr Jonathan Stern, consultant for Gas Strategies in London, cautioned that Russia's co-operation in the pipeline is still far from assured. "The real issue is a political one," he said. Russia has tied its co-operation on Tengiz to political concessions by Kazakhstan, which is in dispute with Moscow over the status of the Caspian Sea.

Outcome of WTO attempts to liberalise markets worth $500bn a year remains uncertain

Talks on world telecoms pact may miss deadline

By Frances Williams in Geneva

Negotiations on a global pact to liberalise basic telecommunications have made "good progress" but a deal by the April 30 deadline is by no means assured, trade officials said yesterday.

The World Trade Organisation talks, in which 51 nations are taking part, aim to open telecoms markets worth more than $500bn a year to foreign competition under an agreed set of regulatory principles.

Trade diplomats say they are nearing agreement on the principles which would guard against abuse of market power by dominant telecoms operators. But bilateral talks on access to domestic markets for foreign companies have failed so far to produce enough concessions to secure Washington's support for a deal.

"I really don't know how these talks are going to come out," said one US negotiator. "I wouldn't even buy a derivative on this one."

Peru and Ecuador yesterday submitted offers to the WTO telecoms negotiating group, bringing the number of offers to 26 (the 15-nation European Union counting as one). Argentina, Colombia, Iceland and Thailand have promised offers in the next few days.

> AT&T is concerned that countries refusing to liberalise could free-ride on cheap international connections

However, India has yet to submit an offer while Indonesia and South Africa, both important potential markets, are only observers at the talks. The US and the EU, which have comprehensive liberalisation proposals on the table, yesterday welcomed the latest developments.

Nevertheless, US and EU officials say offers by a number of Asian and Latin American countries remain inadequate, and they are also concerned about Canada which alone among the leading traders is insisting on strict foreign ownership restrictions.

Both Japan and the EU, under pressure from the US, have said they are prepared to drop most ownership restrictions provided trading partners follow suit.

Canada is expected to come under strong pressure from its Quad partners – the US, EU and Japan – when the four trade ministers meet in Kobe tomorrow with telecoms at the top of their agenda.

EU officials say they are also concerned at signs that the US is considering a partial or total exclusion of international services from the agreement. "The EU could not accept a deal without coverage of international services," one official said yesterday.

The US industry, notably AT&T, is concerned that countries refusing to liberalise their own markets could free-ride on cheap international connections between highly competitive markets in the US and Europe. At the same time, they would be able to charge high international accounting rates for incoming calls.

Washington has come up with a "menu" of options for tackling this problem.

One possibility short of exclusion would be to delay entry into force of the WTO accord for international traffic, perhaps for five years beyond the probable January 1 1998 starting date for domestic local and long-distance calls.

Chrysler to rethink plans for Vietnam plant

By Jeremy Grant in Hanoi

Chrysler said yesterday it was reconsidering plans to make vehicles in Vietnam because of potential overcrowding in a market which industry experts say will take longer than expected to mature.

The US company was awarded a licence last year for a $192m assembly plant in Dong Ngai province, not far from the southern commercial hub of Ho Chi Minh City. But after Hanoi relaxed limits on the number of investors, the US company viewed the market as more competitive, prompting a re-assessment of its plans, according to Mr Vance Peacock, Chrysler's manager for Thailand and Vietnam.

"The original proposal was based on us being one of four licensees. So with 12 in the picture we're looking at what level of investment makes sense now," he said. Specifically, Chrysler was reconsidering its planned product mix of Jeeps, Dodge pick-ups and Neon sedans.

In November last year, Vietnam changed its policy on foreign investment in vehicle assembly by saying it would not restrict the number of players, having previously set a limit of one Japanese, one European and two US companies.

Industry experts say the move was designed to demonstrate Hanoi's commitment to unrestricted competition. But the effect has been to sow concern among the 12 companies so far licensed that the market may be too competitive. Vietnam has a population of 74m but few people can afford cars.

BMW of Germany, for instance, assembles cars under licence in Vietnam but production has been down to one car per day for months because of poor demand.

Ford, the only other US manufacturer besides Chrysler with a presence in Vietnam, acknowledged that the market was competitive but had no plans scale back, said Mr Murray Gilbert, Ford Vietnam's director general. It is building a $102m assembly plant just outside Hanoi and vehicles would start rolling off the production line in October 1997. Initial capacity would be 14,000 vans and Escort sedans a year, although the proportions had yet to be decided, Mr Gilbert said.

New Zealand inflation rises above target

By Terry Hall in Wellington

The Reserve Bank, New Zealand's central bank, narrowly breached its inflation target in the March quarter this year, the second time a target has been missed since it was placed in charge of monetary policy in 1990.

The bank announced yesterday that it had calculated underlying inflation, its own measure of the cost of living, at 0.6 per cent in the three months to March 31, or 2.1 per cent for the year. The bank, operating under an act of parliament, is supposed to keep inflation below 2 per cent. The bank last breached the target in June last year, when inflation reached 2.2 per cent.

The bank's statement followed the release of the March quarter consumer price index, which put inflation at 2.2 per cent. This was primarily due to rising house prices and higher central and local government charges.

The breach caused no upset in the financial markets, where rates were little changed. Mr Don Brash, the Reserve Bank governor, had previously said the bank had relaxed monetary policy too much towards the end of last year and had forecast underlying inflation of 2 per cent for the quarter, although private sector estimates had varied between 1.6 and 2.1 per cent.

Mr Bevan Graham, chief economist with Westpac, said the markets regarded the figures as old news. He said there was ample evidence that tightening by the bank since the end of the year meant that inflation was now running at lower levels.

"In any case, 0.1 of a per cent is not seen as a significant breach," Mr Graham said. "It simply reflects the lags in tightening the economy after things got a little too loose last year."

The Reserve Bank had predicted a 2 per cent inflation rate for the quarter. Signs of a slowing economy include falling GDP forecasts, and drops in the numbers of people being hired for work and in retail statistics. There are also indications that the property market is also slowing.

Figures showing the size of the current account deficit, to be released today, are the subject of more interest. There is growing concern at the deficit, which stood at NZ$3.7bn (US$2.5bn) in December or 4.7 per cent of GDP.

The current account has been deteriorating because of a high level of imports, encouraged by the strong New Zealand dollar and poor export statistics.

Setback to Australia's race relations

Cash and land issues are again dividing the white and Aboriginal communities, writes Nikki Tait

The road to reconciliation between Australia's white community and the country's quarter of a million Aborigines has always been bumpy. But over the past week, two developments have deepened the potholes.

First, the new conservative federal government has moved to tightened "accountability" at the Aboriginal and Torres Strait Islander Commission (ATSIC), the main representative body through which about A$900m (US$710m) of federal funds are channelled annually to smaller law and social welfare organisations.

Mr John Howard, prime minister, has pledged to appoint a "special auditor" to check ATSIC grants, and talked of passing legislation which would allow for the installation of an administrator at ATSIC if fraud or serious mismanagement were evident.

The move – one of the few substantive new policy announcements made since the government changed in early March – appears to have been triggered by allegations of financial irregularities in the state-based Aboriginal Legal Services and some broader claims of general mismanagement. Senator John Herron, the new Aboriginal affairs minister, says he has passed evidence of alleged irregularities to the police.

But, already, the action has caused an outcry. The prime minister denies that the changes amount to a "paternalistic or undemocratic act", but many indigenous leaders think they smack of just that. Such interference, they argue, undermines the basic principle of "self-determination", which has governed Australia's approach to Aboriginal affairs for the past 25 years.

Second, resource companies and pastoralists have stepped up pressure to resolve legal uncertainties which resulted from the landmark Native Title Act of 1993.

This did away with the notion that Australia had been uninhabited before European settlement and gave the Aboriginal community a national procedure for asserting native title rights for the first time. But it left open the question of whether land which had previously been subject to pastoral lease grants, was immune from such claims.

The issue is anything but a nicety. Pastoral leases cover large tracts of Australia's vast land mass, and in Western Australia two-thirds of mining leases are on land of this type. Once there is a native title claim registered on a parcel of land, mining cannot proceed without a potentially long "right to negotiate" process being triggered.

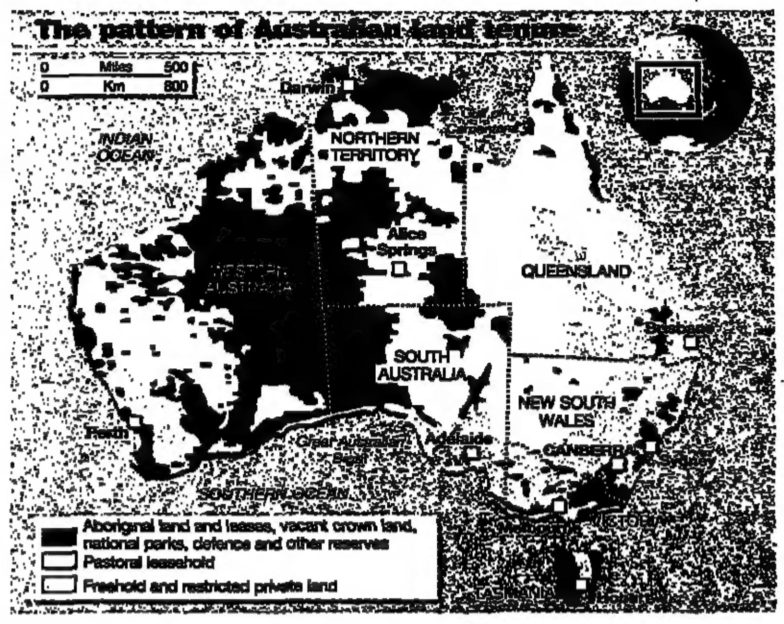
The uncertainty has hit home most prominently in northern Queensland, where RTZ-CRA, the London-based mining group, has a time-sensitive A$1.1bn zinc mine project ready to go. It originally imagined that past pastoral leases would have extinguished native title rights. But, with this possibility no longer closed off, the local Waanyi people's claim has been registered. The mining group has warned that it may not now make the required timescale and the project's future is uncertain.

These two issues – the accountability of public funds and the question of what land can be claimed – are in essence distinct. But that has not stopped them being linked in the media's, the public's, and, perhaps most important, the indigenous community's mind.

Mr Noel Pearson, director of the Cape York Land Council and much respected for his role in negotiating the Native Title Act, has warned that relations between the two communities are seriously imperilled and that this could ultimately lead to Australia's international embarrassment.

"What I fear is going to happen is that there is going to be a slow development in the Aboriginal community of a sense of despair about the general direction of the country," he has cautioned.

Come the year 2000, this could ricochet directly on the Sydney Olympics, when Australia will be in the international spotlight: "In four or five years' time you are going to see all the ingredients for great unrest during the Olympics."



The hamfisted way in which the uneasy balance between white and black communities has suddenly turned into confrontation has even distressed some of the coalition's own ranks. Mr Ian Viner, deputy chairman of the Council for Aboriginal Reconciliation and a former Aboriginal affairs minister under the Fraser regime in the 1980s, has described the ATSIC intervention as unnecessary and unwarranted.

Perhaps the biggest problem is that neither issue looks set for speedy resolution. A clarification of the Native Title Act could come either through a High Court ruling or by legislation.

For the moment, the main initiative is with the courts. The High Court, the highest judicial authority, this week agreed to consider a claim by the Wik people over 35,000 sq km of Cape York – including some valuable bauxite leases also owned by RTZ-CRA. The effect of pastoral lease on native title rights is the basic issue.

But lawyers on the mining industry side worry that the court tends to move slowly and rulings can take many months to deliver. A legislative solution could be speedier but would be fraught with political obstacles.

The issue of accountability, meanwhile, remains more fundamental, pitting Aboriginal claims for self-determination against a cost-conscious government's desire to see value for money spent.

Taiwanese want more China ties restored

By Laura Tyson in Taipei

As Taiwan officials mull whether to permit China-owned shipping containers to enter the island's harbours, more Taiwanese are calling for a restoration of direct sea, air and communication links severed in 1949.

A public opinion poll published yesterday showed 52.3 per cent of 805 people surveyed supported opening the so-called *san tung* or "three directs" now. Just 28.5 per cent opposed the move.

The transport ministry has proposed to allow Chinese containers containing goods bound for the Taiwan market to be unloaded in Taiwan ports. At present, goods coming from China must be transferred into non-Chinese containers in a third port, such as Hong Kong, before being shipped to Taiwan.

The change would mean significant savings in transportation costs for importers of Chinese products, a ministry official said. The proposal will be discussed today among various ministries.

Taipei has banned direct shipping and flights to China since the end of China's civil war in 1949. Earlier this week, Taiwan's economics minister, Mr Chiang Pin-kung, said his ministry would in June conclude a draft plan to allow direct transport links with China through certain special economic zones in Taiwan.

Competition challenge for HK businesses

Hong Kong's businessmen have always sought to keep politics at arm's length. But as the territory's return to China approaches, political considerations loom larger, complicating strategies and raising challenges for some traditionally dominant players.

This is of particular concern to UK-controlled groups seeking to defend or develop positions in strategic sectors. "Now is not a good time to be issuing reminders of your Britishness," one senior executive said.

His reference is to the political hurdles facing British Telecommunications as it trys to secure control of Hongkong Telecom through a merger with Cable and Wireless. This is only one example of the challenge for UK interests ahead of next year's handover.

The UK's Swire Group is faced with the prospect of a mainland airline establishing operations in Hong Kong in competition with Cathay Pacific, its highly profitable subsidiary.

Jardine Matheson, the other big UK-controlled business empire, saw its participation in a new container terminal blocked, though Beijing's objections have now been lifted and relations are on the mend.

For some, such political factors are scarcely a surprise. One business member of the preparatory committee, the Beijing-appointed body overseeing the handover, says it is natural China feels uncomfortable about UK interests holding dominant positions in certain industries.

Hongkong Telecom has an exclusive franchise on international calls until 2006. Cathay faces tough competition from international carriers, but is the exclusive Hong Kong carrier on many of its routes. "These are politically sensitive sectors in any country," the committee member said.

In response, the UK-controlled companies have sought to adapt their strategies. Cable and Wireless has strengthened Hongkong Telecom's identity as a local company, appointing the operator's first ethnic Chinese chief executive in 1994.

Both Hongkong Telecom and Cathay Pacific have sold significant equity stakes to Citic Pacific, Beijing's main overseas investment vehicle.

While Jardines has restricted partnerships to joint ventures, it has played down its colonial past and sought to develop personal relationships with senior mainland officials.

. Symbols have also been important. The Union Jacks have long disappeared from the tail of Cathay Pacific airliners. Jardines has surrendered its steward's seat at the élite Hong Kong Jockey Club.

Such strategies have their limits. Hongkong Telecom's British ownership has been highlighted by the merger talks between BT and C&W. Swire's alliance with Citic in aviation has failed to fend off CNAC, the airline arm of China's aviation regulator, from planning to set up an operation in Hong Kong.

Mr Peter Sutch, chairman of Swire Pacific, warned at an economic conference last week against the threat of "unfettered" competition. "Long-term stability is critical if Hong Kong's interests as an international business centre are to be served," he said.

But such arguments cut little ice with those seeking to enter lucrative sectors. In telecoms, too, local voices are seeking to break Hongkong Telecom's monopoly. Hutchison Whampoa, New World and Wharf, some of the territory's biggest conglomerates, all with strong mainland connections, are seeking to win a slice of the international market.

The irony is that as Hong Kong approaches its return to the socialist motherland, such pressures may speed the rise of competition in long-regulated sectors. This would be more a reflection of political factors than the mainland's attraction to market forces. But either way, it presents a threat to the UK-controlled incumbents.

John Ridding

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Surprise jobless fall raises hopes of growth

By Gillian Tett,
Economics Correspondent

Hopes that economic growth will pick up this spring were boosted yesterday after official figures showed that unemployment fell to its lowest level for five years last month.

The fall surprised the City and should provide welcome relief for the chancellor, who is hoping for a return of the feel-good factor this year.

However, the improvement also highlighted the interest-rate dilemma that the government could face soon. For signs that the economy might be rebounding left the City more convinced that interest rates will rise again later this year – possibly in the run-up to the next general election.

Mr Eddie George, governor of the Bank of England, the UK central bank, yesterday appeared to play down these expectations slightly, pointing out that there was still little sign the economy was overheating.

Speaking in Nottingham, he argued that "there is no clear evidence at this stage that the growth of demand is becoming excessive or likely to put upwards pressure on inflation".

Nevertheless, expectations of a rate rise were fuelled by the publication of the minutes of the March meeting between Mr George and Mr Kenneth Clarke, the chancellor of the exchequer.

This showed that the governor supported the recent interest rate reduction from 6.25 to 6 per cent. However, he also warned that there was a "possibility that rates would have to be raised again at some point further ahead" if demand and output accelerated in the second half of this year, as expected.

These comments, coupled with the strong employment data, pushed UK government bonds a ¾ point down during the day. Short sterling futures, which indicate traders' expectations for rates, fell 14 basis points to 93.72 for the September contract.

At this level, traders expect a rise in interest rates to more than 6.25 per cent by the autumn.

These movements were fuelled by the fact that the improvement in unemployment was largely unexpected.

After the numbers claiming unemployment benefit rose by a seasonally adjusted 6,000 in February, some economists thought that unemployment was at a turning point.

However, the Office for National Statistics yesterday said that February's rise had been more than reversed in March: the jobless total fell by 27,000 in the month, leaving the unemployment rate at 7.8 per cent.

The ONS pointed out that the fall was exaggerated by a strike in unemployment offices in February. This is thought to have raised the jobless total in that month – and then lowered it slightly in March.

But in spite of this problem, the picture of an improving labour market was backed by a range of indicators. Average earnings growth nudged up to 3.5 per cent in February, compared with 3.25 per cent in January.

Employment in manufacturing rose by 3,000 between January and February, contrasting with a sudden fall the previous month.

IMF warning on interest cuts

From Robert Chote,
Economics Editor,
in Washington

Mr Kenneth Clarke, the chancellor of the exchequer, has little if any further scope to cut interest rates unless activity in the economy weakens markedly, the International Monetary Fund warned yesterday.

In its latest World Economic Outlook, the IMF downgraded its growth forecasts for the UK for both this year and 1997. It argued that Britain was set to enjoy "continued moderate growth" with national output expanding by 2.2 per cent this year and 2.7 per cent in 1997. The IMF takes a relatively pessimistic view of growth prospects compared to other forecasters, in spite of being relatively optimistic in its predictions for most other industrial countries.

"Growth appears to have been below potential through most of last year, but underlying prospects remain favourable," the IMF said. It added that output would be supported by income tax cuts, lower interest rates, the weakness of sterling and healthy state of personal and corporate finances. The fund estimates that output is 2 per cent below its "potential" level at present and this gap will narrow to 1.2 per cent next year.

Growth should be sufficiently strong to continue fuelling job creation. Employment growth is expected to slow to 0.5 per cent this year before picking up to 0.7 per cent in 1997. This should reduce unemployment as a proportion of the workforce from 7.9 to 7.7 per cent.

The headline rate of inflation is expected to edge down slowly during the remainder of this year, now that earlier rises in industry's fuel and raw material costs have worked through the production chain. Underlying inflation is expected to fall from 2.8 per cent this year to 2.6 per cent in 1997, close to the government's long-term target of 2.5 per cent or below.

Pensions payouts amount to £6.5m

By Alison Smith,
Investment Correspondent

Life assurance companies and independent financial advisers have paid out little more than £6.5m ($9.9m) in compensation to people wrongly advised to buy personal pensions after 14 months of the pensions review.

This is likely to be just a tiny fraction of the total compensation bill, for which estimates range up to £4bn.

The figure for compensation paid was released yesterday by the Personal Investment Authority, the watchdog to protect the private investor.

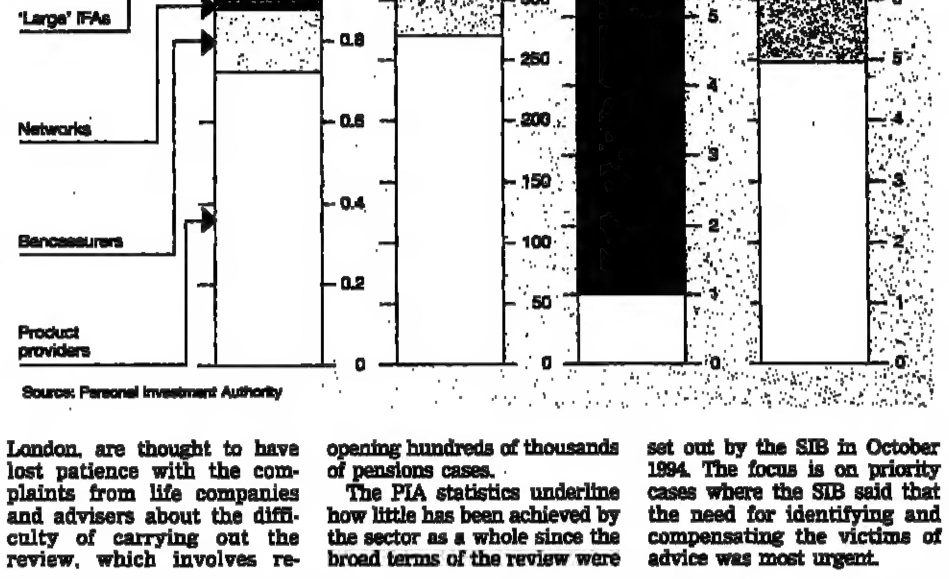
At the same time, the PIA issued a warning that companies which fail to address the review properly will be the subject of disciplinary action.

"Those who are not rolling up their sleeves will be disciplined and the penalties will be serious," said Mr Joe Palmer, PIA chairman. This is a change of attitude by the regulator, which did not discipline companies that missed the first deadline for dealing with cases at the end of last year.

The PIA and the Securities and Investments Board, the chief regulator of the City of London, are thought to have lost patience with the complaints from life companies and advisers about the difficulty of carrying out the review, which involves reopening hundreds of thousands of pensions cases.

The PIA statistics underline how little has been achieved by the sector as a whole since the broad terms of the review were set out by the SIB in October 1994. The focus is on priority cases where the SIB said that the need for identifying and compensating the victims of advice was most urgent.

Pension review



Source: Personal Investment Authority

London Internet use leads Europe

By Alan Cane in London

London leads other European financial centres in availability of telecommunications services, but lags behind New York, research shows.

A survey has revealed that nine out of 10 financial institutions in the City of London are either using or planning to use the Internet, the worldwide computer network, in spite of worries over security while eight out of 10 have put in place, or are planning to use, video conferencing systems.

By comparison, only 70 per cent of financial institutions in Paris are investigating use of the Internet and less than half that percentage are using video conferencing.

The research, commissioned by Mercury Communications, the UK's second-largest telecoms operator, covered 200 financial institutions in New York, London, Tokyo, Paris and Frankfurt. Companies surveyed include the Alexander Howden Group, Deutsche Bank and Reuters.

The conclusion was that in markets where competition is well developed, such as New York and London, customers are more concerned with quality of service than price.

London institutions were ahead of the rest of the world in making use of managed services and outsourcing – using third party suppliers to handle their telecoms operations. Paris was the most conservative of the five cities on outsourcing with only one company in five making use of the option.

The survey also found that European and US companies were mainly worried by new competition to their businesses, while many Tokyo respondents considered there were no threats at all.

The greatest opportunities for most respondents were globalisation, expansion into new overseas markets and diversification into new products.

The role of telecommunications in global finance. Mercury Communications, New Mercury House, London WC1R 4HQ, UK. £300.

DTI opposes right to ask questions

By David Wighton in London

The government is against granting shareholders a legal right to ask questions at company annual general meetings, the Department of Trade and Industry said in a consultation document published yesterday.

The paper concludes that the handling of questions should be dealt with "in the development of best practice by companies".

Rigid rules might make asking questions more difficult and hamper companies in conducting meetings.

However the government looks more favourably on the proposal that companies be required to pay for the printing and circulation of shareholders' resolutions in advance of the meeting.

"For shareholders, the current legal provisions, especially as regards costs, may in some circumstances deter shareholders from proceeding with the resolution."

Some companies have expressed concern that a change in the law would encourage a flood of hostile and frivolous resolutions which they will have to circulate at considerable expense.

But the document suggests that companies have "an interest in encouraging responsible questions and promoting constructive debate".

Mr Donald Butcher, chairman of the UK Shareholders Association, said the companies should encourage dissident shareholders and pressure groups to put forward resolutions "to channel criticism in a more constructive way".

He also supported the suggestion that the thresholds which qualify shareholders to put forward resolutions should be tightened. The government proposes that the rules, which were set in 1948 and which require groups to have the backing of 100 shareholders with £10,000 of paid up capital, be upgraded to take account of inflation over the period.

The document also suggests that backers of a resolution would have to have held shares for a minimum period, such as a year.

New headache for Lloyd's as High Court rejects adjournment plea

By Ralph Atkins,
Insurance Correspondent

Lloyd's of London faced a fresh headache last night when plans to adjourn an important legal case were rejected by the High Court – despite delay being backed by a significant body of lossmaking Names.

The decision is unwelcome for Lloyd's because it had hoped the adjournment would signal a rapprochement with embittered Names, individuals whose assets have traditionally supported the insurance market.

The case would test Lloyd's ability to change the insurance market's rules so damages won in court by lossmaking Names are used to settle their outstanding debts at the market.

Leaders of some of the most powerful Names' action groups backed the adjournment, which they believed would help yield significant benefits for their members under Lloyd's ambitious recovery plan and accompanying out-of-court settlement offer.

But the proposed adjournment angered other Names who believed leaders of the Gooda Walker and Feltrim action groups were seeking special favours and that the negotiating hand of litigating Names was being weakened.

Mr Christopher Stockwell, chairman of the umbrella Lloyd's Names Associations' Working Party, said Names "need to know they can keep the winnings of successful actions, not lose them into the Lloyd's black hole".

If Lloyd's recovery plan succeeds, the case's significance will be lessened, although it could alter the distribution of the out-of-court settlement. But it provides a disruptive diversion.

Separately, a further 800 Names won the latest stage of their court battle for damages for more than £70m ($106m) in losses.

The Bromley 475 Names action group said a High Court ruling showed they were victims of negligent underwriting. It would strengthen the group's hand in negotiations with Lloyd's over a proposed £2.8bn out-of-court award to lossmaking and litigating Names.

The Bromley Names' losses were caused by a succession of catastrophes in the late 1980s and early 1990s, including the Piper Alpha North Sea oil rig disaster and European storms.

Mr Roy Bromley, underwriter on Lloyd's syndicate 475, committed suicide in 1993.

The level of damages has still to be decided. The action group said it would seek to recover as much of its members' losses as possible.

But Clyde & Co, the legal firm representing the insurers which provided Lloyd's agencies with cover against negligence awards, said the Bromley Names may obtain less than £10m in damages.

Cheque reforms 'may cost up to 30,000 jobs'

By George Graham,
Banking Correspondent

Treasury plans to reform a 19th century law on cheque handling could cost up to 30,000 jobs, the British banking union Bifu claimed yesterday.

Bifu said the introduction of electronic cheque-clearing could bring a 40 per cent reduction in employment in cheque-processing centres. This would mean a 10 per cent cut across the UK financial sector, which has already lost 150,000 jobs since 1990.

The claim is made in a response to the Treasury's proposals for reforms to the 1882 Bills of Exchange Act. The act requires cheques to be returned physically to the branch on which they were drawn.

The proposed reforms would allow the banks to transfer information from cheques electronically. This could not only cut the number of clerical staff required to enter data from each cheque but also reduce the number of errors.

Banking officials said the Bifu estimates of job losses appeared to be flawed. Although it is hard to establish the number of people employed in cheque clearing, the reforms are not expected to have dramatic consequences.

Banks have already introduced the electronic interchange of data from the "code-line" – details of the bank branch and account number which are printed in magnetic ink on the cheque.

Most banks are not planning to move to the transmission of an electronic image of each cheque, largely because of expense.

Instead, cheques would be held at the clearing centres run by the paying bank.

Much more dramatic in its effects on employment in the banking sector is the long-term decline in the use of cheques in favour of electronic payments such as direct debits and debit cards.

The number of cheques processed by banks reached a peak of 3.12bn in 1990, but has since fallen to 2.82bn last year.

Mr Peter Dutton, banking analyst at stockbrokers Credit Lyonnais Laing, estimates that technological changes, productivity gains and reductions in the volume of labour could by the year 2000 lead to a £2bn annual saving in banks' costs.

UK NEWS DIGEST

Minister plans house detention for minor crimes

The government is planning to replace prison sentences for minor criminal offences with a system of house detention monitored by electronic tags on convicts. Mr Michael Howard, the home secretary, is understood to favour the plan, which could save more than £10m ($15.2m) of public expenditure and ease pressure on the prison population.

The signal of Home Office support for what will be known as "curfew orders" comes despite fierce criticism of regional trials of electronic tagging. Earlier this year, Mr Howard extended the tagging pilot programme after probation officers said the test had been a "joke", making people "guinea pigs for an expensive and humiliating experiment".

The trials in Manchester, Reading and Norfolk are the Home Office's second attempt to introduce the technology widely used in America, after a pilot programme flopped in 1989 when the tags were either defective or discarded by the offenders.

James Harding, London

Scientists make BSE accusation

Dr Harash Narang and Dr Stephen Dealler, scientists who have spent years studying bovine spongiform encephalopathy, clashed with the medical and veterinary establishments yesterday when they accused the government of overlooking their research into 'mad cow disease'.

Dr Dealler, medical microbiologist at Burnley General Hospital, claimed at a joint meeting of the Commons Agriculture and Health select committees that there was statistical evidence to show that BSE passed from cow to calf.

He also said large numbers of cases of BSE had gone unreported and farmers were continuing to take infected animals to market. He said he had offered to give his statistical analysis to the Ministry of Agriculture, but had received no reply.

Deborah Hargreaves, London

Tories urge border relaxation

A group of senior Conservatives will today launch a report pressing the UK government to give up independent border control and allow freedom of movement in Europe.

Lord Howe, the former foreign secretary, will introduce the study into open frontiers and the European Union, which concludes that European frontier control should be accountable to the European Court of Justice.

The recommendations will incense the Conservative Eurosceptics.

The Templeman Enquiry, chaired by Lord Templeman, a senior judge, and including Mr Tim Renton MP, a former Conservative immigration minister on its panel, concludes that "freedom of movement inside the European Union is inherently desirable."

EU member states laid down the goal of a single market for goods, persons, services and capital without internal frontiers in the 1986 Single European Act.

James Harding, London

Phonebox wins BT order

Phonebox, a company based in Fife, Scotland, which designs and markets telephony equipment, has won a £3.4m order from British Telecommunications for digital telephone answering machines. The machines are manufactured under contract at Glenrothes, in Scotland, by Hughes Microelectronics, the US company. The order includes 60,000 Response 120 combined telephone answering machines which Phonebox designed and of which BT has sold 600,000. It also includes an order for a new telephone and answering machine to be launched by BT in May. Phonebox, which employs 15 people at Inverkeithing, says it is the only UK company designing answering machines.

James Buxton, London

Board link with OFC directors

A director of a company described by the Department of Trade and Industry as having made an "undeserved profit" in the investment scheme run by Ostrich Farming Corporation serves with two OFC directors on the board of a third company. Mr Jack Bennett is a director both of Wallstreet Corporation (UK), named in the DTI's winding-up petition against OFC, and of Ostrich Breeding Corporation, where Mr Brian Ketchell and Mr Allan Walker of OFC are also on the board.

The DTI is seeking to close OFC, which "guaranteed" ostrich owners annual returns exceeding 51 per cent through a chick allocation and buy-back scheme. The Serious Fraud Office is also investigating OFC. The DTI's petition filed in the High Court says Wallstreet Corporation and another company, Wall Street LLC, bought ostriches at market price from Mr Eddy Nachtergaele, a Belgian animal breeder, and sold them on at much higher prices to OFC, making "substantial profits ... for no discernible benefit."

Mr Bennett, described in Companies House filings as a "consultant", was not available for comment. Mr Mark Chamberlain, Wallstreet's other director, said: "I'm afraid I've got no comment to make at all."

● Ostrich Breeding Company, which trades in Swansea as the Ostrich Centre, said it had no connection with OFC, Ostrich Breeding Corporation or any other company in the sector.

Clay Harris, London

FT plans to cut jobs

The management of the Financial Times yesterday announced a reorganisation and cost-cutting plan which would result in 30 journalists being made redundant – some of them compulsory.

Mr Richard Lambert, editor of the Financial Times, said in briefings with senior staff that the plans would cut 5 per cent from the editorial budget and that half the savings would be reinvested in the paper.

"This is not a crude cost-cutting exercise. Significant new investment will go into the paper," Mr Lambert said last night. The FT editor was speaking shortly after 170 members of the National Union of Journalists voted unanimously in support of a motion declaring no confidence in the editor and Mr Andrew Gowers, his deputy.

Raymond Snoddy, London

Private health plan vetoed

Mr Stephen Dorrell, health secretary, has overturned a ruling by a ministerial colleague that National Health Service trusts could raise extra cash by offering private health insurance.

The controversial plan was approved by Mr Gerry Malone, the right-wing health minister, who said it was legally possible provided – among other things – it did not pose an unacceptable risk to public funds. But the idea alarmed Mr Dorrell, who feared it could fuel Labour claims that the government was intent on privatising the health service.

George Parker, Political Staff

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Cook warns Labour must focus on needs of poor

By John Kampfner,
Chief Political Correspondent

Mr Robin Cook, the shadow foreign secretary, suggested yesterday that Labour policy had gone too far in its attempts to win round the rich and must focus again on defending the needs of the poor.

In a speech that will be welcomed by the left as a challenge to the ideological realignment being carried out by Mr Tony Blair, the party leader, Mr Cook said links with trades unions were at the party's core.

"The relationship between the Labour party and the unions is not a marriage of convenience," Mr Cook told the Scottish Trades Union Congress in Edinburgh. "It is a recognition of our common commitment to collective action."

Mr Cook's remarks, made on the day the main parties launched their campaigns for next month's local council elections, are likely to be seized on by Tories as a further demonstration of shadow cabinet resistance to Mr Blair's transformation of the party.

Earlier this week Ms Clare Short, shadow transport secretary, came into conflict with the leadership for suggesting a higher rate of tax for those earning more than £34,000. She made clear subsequently she would not be silenced.

Mr Cook, while at pains not to say anything that contravenes party policy, suggested too much emphasis had been placed recently on reassuring those on the top rate of tax that they would not be penalised under a Labour government.

"The poor may be many times more than top taxpayers, but they get a tenth of the public attention," he said.

Mr Blair told business leaders in New York last week that Labour was now a party of the centre. The tone of many of his recent statements has been the need not to assure traditional Conservative supporters that Labour now best represented their interests.

Mr Blair's aides denied Mr Cook's speech set him at odds with the party leader. Mr Cook's speech had been issued in consultation with his office and which "entirely accords with what Tony has been saying for a long time", they said.

Mr Blair had always believed that the alleviation of poverty was one of his top priorities, the aides added.

In a speech last night during a public debate on the future of London, Mr Blair said: "Our obligation is to all our citizens, the inner city poor as much as the more affluent."

He added: "My vision for London is of a city which fights to close the deep social divisions that we see everyday".

However, Mr Cook went considerably further. Two core values, he said, differentiated Labour from the Conservatives – a commitment to community and "our belief in equality, our recognition that every human being is of equal worth".

"These are values which the Labour party shares with the union movement," he said.

"New Labour speaks for the majority of Britain," Mr Cook added. "In Tory Britain, it is only the privileged few who are content. Labour must speak for the poor. Because we understand that if we accept a society that does not help those who are vulnerable and weak, then it will not help us when we are vulnerable and weak."

A display of local difficulties

LOCAL ELECTIONS
May 2

The two main parties showed triumphalism and truculence at press conferences yesterday

The two main parties showed early symptoms of triumphalism and truculence yesterday as they launched their campaigns for next month's local government elections. The set-piece occasions demonstrated the gulf in confidence between Labour and the Conservatives. For Mr Brian Mawhinney, the Tory chairman, the main priority was to shore up morale following last week's humiliating by-election defeat in Staffordshire South East.

He also wanted to get the show on the road with a little more aplomb than a year ago when his predecessor, Mr Jeremy Hanley, suggested that Labour councils were endemically corrupt.

The gremlins, however, struck again. The press conference at Central Office was overshadowed by Mr Mawhinney's earlier outburst on BBC radio's *Today* programme, in which he accused the presenter of suggesting that "we should dump the prime minister".

The trouble for the Tories is that their twin-pronged message did not seem to get across. Their assertion that council tax is higher in Labour-run areas became mired in the detail – the Tories using one particular band as their criterion, Labour choosing a national average.

Their claim that one day the economic feelgood factor will impinge on the consciousness of the voter is, on the evidence of the by-election and opinion polls, falling on deaf ears.

It was left to Mr Mawhinney to field questions about Mr John Major's grip on power and to forecast the extent of the drubbing expected on May 2. The only prediction he was prepared to make was that the Tories would win the general election.

Proceedings were wound up in time for the assembled to make the five-minute walk to Labour's conference in Millbank Tower. On their way journalists were treated to a picture opportunity involving Mr Mawhinney, Mr Heseltine and Mr John Gummer, environment secretary, standing beside artistically composed piles of baked bean tins. The Labour ones sported the label, "Has Beans", the LibDems' "Half-baked beans".

There was not a hint of irascibility at the Labour media centre, only muzak wafting through the loudspeakers. As a warm-up to the arrival on the podium of Mr Tony Blair, the party leader, a recording of the radio interview was played. As Mr Mawhinney railed at the interviewer, guffaws were heard at the back of the room, including Mr Blair's two close aides – Mr Peter Mandelson and Mr Alastair Campbell. Yet when a television cameraman sought to film them, they both displayed uncharacteristic coyness and turned away.

Mr Prescott taunted Mr Mawhinney: "I must thank the Tory chairman for blurting out what is really being thought by most Tory MPs at the moment – dump the prime minister."

As Mr Prescott and Mr Frank Dobson, shadow environment secretary, attacked the Tories in typically bruising fashion, Mr Blair smiled presidentially. He sought to debunk the image of high-spending irresponsible Labour local government, highlighting education programmes in several councils. Tory hopes of persuading people of better times around the corner were illusory, he said.

The Labour leadership also declined offers to predict the outcome on May 2. Mr Dobson said many of those up for grabs were in staunchly safe Tory areas, such as Mr Major's backyard of Huntingdon, where the Conservatives still hold sway on the council.

"Even under the present inept leadership the Tories can't possibly lose another 2,000 seats this year," Mr Dobson said. "That's because they've only got 1,218 seats to lose."

John Kampfner

This is the latest in a series of articles by FT writers in the run up to the local elections.

Stefan Rousseau

Canned laughter: Brian Mawhinney, John Gummer and Michael Heseltine launch their campaign yesterday with stacks representing Liberal Democrat 'half baked beans' and Labour 'has beans'

Sceptics urge BSE blast at Europe

By Robert Peston,
Political Editor

Ministers are urging the prime minister to mount a vigorous anti-European campaign pinned to the beef crisis as the best way of uniting the Tory party in the wake of last week's embarrassing by-election defeat.

The initiative has the support of Eurosceptic members of the cabinet and moderate pro-Europeans. It will be discussed today at a ministerial meeting, chaired by Mr Tony Newton, the leader of the House, called to address the BSE issue.

The proposal, which ministers last night said was likely to be adopted, is for a campaign accusing the European Union of abandoning free trade principals with the imposition of the ban on the exports of British beef products.

It would be coupled with briefings on the government's legal challenge to the EU's worldwide beef ban.

"Europe is the issue which more than any other has split the party", said a senior member of the cabinet. "Beef has presented us with a heaven-sent opportunity to heal the wounds".

Consideration is being given to the use of "dirty" tactics to bring to the attention of other EU governments the costs of their action in banning British beef. "We are the only government in Europe which fights according to the rules and it makes us a laughing stock", said a minister.

"We should plant stories in Paris Match and other foreign newspapers pointing out that BSE afflicts Continental herds".

There is a suggestion that the government should be more aggressive in dealings with those domestic food groups which have shied away from buying British beef.

Ministers acknowledged the urgency of the anti-European initiative to restore the badly battered morale of Tory MPs. Several Conservative backbenchers said yesterday that they were resigned to defeat at the next general election.

As the prime minister yesterday embarked on a short tour of Eastern Europe and Russia – which includes attending the G8 nuclear summit in Moscow – it emerged that he has ruled out a significant cabinet reshuffle to restore party fortunes. He has told colleagues that "throwing Christians to the lions" just for the sake of it would serve little purpose.

● Dr Harash Narang and Dr Stephen Dealler, scientists who have spent years studying bovine spongiform encephalopathy, clashed with the medical and veterinary establishments yesterday when they accused the government of overlooking their research, Deborah Hargreaves writes.

Dr Dealler, medical microbiologist at Burnley General Hospital, said at a joint meeting of the Commons agriculture and health committees that there was statistical evidence to show that BSE passed from cow to calf.

Dr Keith Meldrum, the ministry's chief veterinary officer, challenged Dr Dealler's assertion about maternal transmission, pointing to a study quoted in the Veterinary Record which found no sign of it in 290 herds.

Dr Narang, a former virologist with the Public Health Laboratory Service in Newcastle-upon-Tyne, said his urine test for detecting BSE in live cattle and CJD in humans had been dismissed by the ministries of health and agriculture.

Mr Meldrum said he would set up an independent audit to validate Dr Narang's claims.

Ostrich director on board of third firm

By Clay Harris

A director of a company described by the Department of Trade and Industry as having made an "undeserved profit" in the investment scheme run by Ostrich Farming Corporation serves with two OFC directors on a third company.

Mr Jack Bennett is a director of Wallstreet Corporation (UK), named in the DTI's winding-up petition against OFC, and of Ostrich Breeding Corporation, where Mr Brian Ketchell and Mr Allan Walker, of OFC, are also on the board.

The DTI is seeking to close OFC, which "guaranteed" ostrich owners annual returns over 51 per cent through a chick allocation and buy-back scheme. The Serious Fraud Office is also investigating OFC.

The DTI's petition claims Wallstreet and another company, Wall Street LLC, bought ostriches at market price from a Belgian animal breeder, and sold them on at higher prices to OFC, making "substantial profits ... for no discernible benefit".

Mr Bennett was not available for comment.

Ostrich Breeding Corporation was described as "dormant" by Mr Peter Chapman, of Ashfield Commercial Services, the Nottingham firm listed on its Companies House return.

● Ostrich Breeding Company, which trades in Swansea as the Ostrich Centre, said it had no connection with any other company in the sector.

Police lift 999 response times

By Alan Pike

A majority of police forces improved their 999 response rates last year after publication of comparative information in Audit Commission performance indicators.

New indicators published yesterday show that, in 75 per cent of English and Welsh forces, officers reached a higher proportion of urgent incidents within target times in 1994-95 than in 1993-94. Many forces also improved on their control room targets for answering incoming 999 telephone calls without delay.

Quick response to emergencies is shown in surveys conducted for the commission to be a top policing priority for the public. It is an area that is far more amenable to management action than some other priorities, such as crime and detection rates, and hence more open to improvement. The proportion of calls treated as emergencies varies considerably between forces, and can influence response times.

Cleveland showed the biggest improvement in emergency response times between 1993-94 and 1994-95. The force met its target response times in 92 per cent of incidents in 1994-95, compared with only 66 per cent the year before. The most serious decline in performance was by Dorset, where the success rate fell from 81 per cent in 1993-94 to 59 per cent last year.

Average expenditure per head of population on the police service last year was £101, but it varies considerably between forces. Spending is at its highest in heavily populated urban areas. The indicators show, however, that there is no simple link between levels of expenditure and specific aspects of police performance.

Merseyside is, apart from the exceptional case of London, the highest spending force in England and Wales. Its expenditure per head of population is £45 above average, and it has proportionately more officers than any other provincial force.

Yet its success rate at meeting emergency response times is, at 68 per cent, the poorest in the country apart from Dorset. The Merseyside clear-up rate for violent crime also fell by 13.4 per cent between 1993-94 and 1994-95 – a time when a majority of forces improved their performance.

The Audit Commission report emphasises, however, that recruiting more police officers does not automatically lead to an increase in the proportion of crime solved. Successful detection of crime, it says, also depended on how officers were deployed.

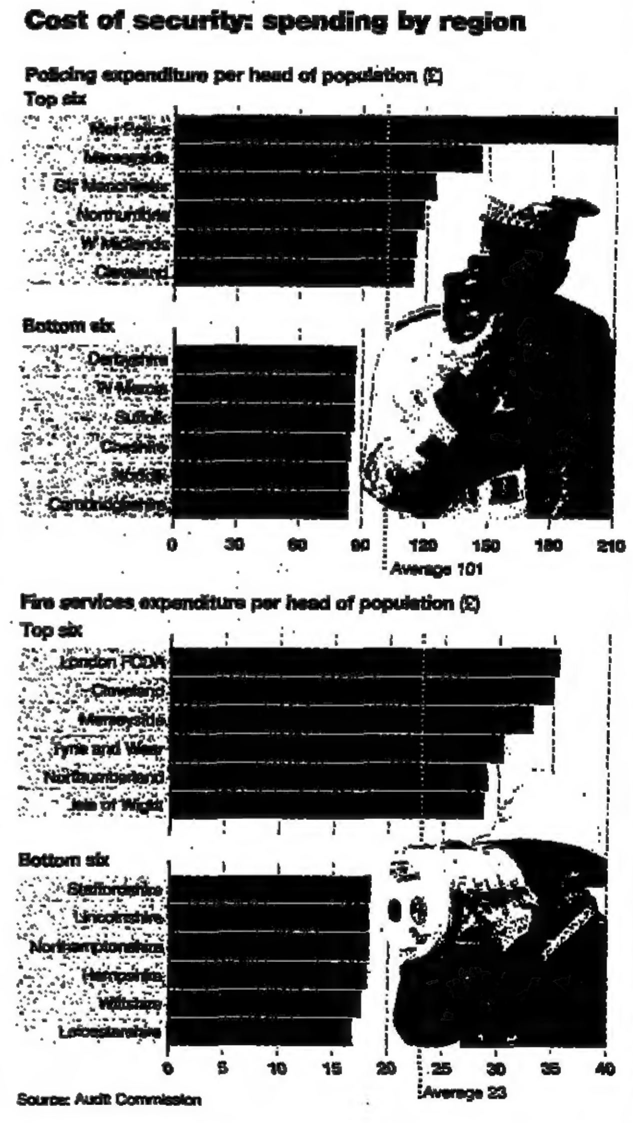
"Increasing detection rates can follow from effectively focusing detection on known criminals and using civilians to do paperwork to release police officers' time."

Mr Andrew Foster, commission controller, said that forces had taken welcome steps to inform the public about their performance. It would help if in future they explained to local communities how increases in funding were spent, and what targets had been set for service improvements.

Yesterday's performance indicators, the last of an annual series examining local authority services, also provide information on the fire service. This shows that, at an average expenditure of £23 per head of population, almost all fire brigades meet national attendance standards for at least nine out of ten fire calls.

"By this measure," says the report, "the fire service is one of the most consistently high-performing services in local government." The level of performance was so high that it was difficult for most brigades to achieve significant year-on-year improvements.

Cost of security: spending by region



Source: Audit Commission

Dorrell rules out health trust insurance schemes

By George Parker,
Political Staff

Mr Stephen Dorrell, the health secretary, has overturned a ruling by a ministerial colleague that NHS trusts could raise extra cash by offering private health insurance.

The controversial plan was approved by Mr Gerry Malone, the rightwing health minister, who said it was legally possible provided – among other things – it did not pose an unacceptable risk to public funds.

But the idea alarmed Mr Dorrell, who feared it could fuel Labour claims that the government was intent on privatising the health service.

Mr Dorrell moved quickly to quash the idea, and gave an unusually frank answer to a written Commons question from Mr Eddie Loyden, the Labour MP for Liverpool Garston.

He insisted Mr Malone had purely been setting out the legal position that NHS trusts had the power to generate additional income, provided it did not jeopardise public funds. But he added: "I have, however, made it clear I do not believe that private health insurance plans could in any circumstances meet that requirement.

"There are, therefore, no such schemes on offer from NHS trusts nor do trusts have any plans to introduce such schemes."

Labour called on Mr Dorrell to block the move following reports that some NHS trusts planned to market their own brands of private insurance.

It is understood that some trusts were considering ideas ranging from "private care clubs", offering privileged treatment on public wards, to health insurance covering treatment in private wings in NHS hospitals.

Proposals for NHS trust health insurance were set out by Mr George Orros, the chief executive of Universal Health Consultants, in an article in the 1996 edition of the authoritative Fitzhugh Directory of NHS Trusts.

Private insurance offered under the names of well-known NHS hospitals might have proved a potentially valuable source of income.

Mr Dorrell is anxious to prevent Labour exploiting fears about the NHS at the next general election, as it did in 1992.

Senior Tories to press for free movement inside EU

By James Harding

A group of senior Conservatives will today launch a report pressing the government to give up independent border control.

Lord Howe, the former foreign secretary, will present the study into open frontiers, which concludes that European frontier control should be accountable to the European Court of Justice.

The recommendations will incense the Tory Eurosceptics.

Sir Teddy Taylor, the former Tory rebel, said the report's authors "are either clowns who do not understand the importance of this issue, or they want to create a single country called Europe".

The Templeman Enquiry, chaired by Lord Templeman, a senior judge, and including on its panel Mr Tim Renton MP, a former Conservative immigration minister, concludes that "freedom of movement inside the European Union is inherently desirable".

"The stand-off between Britain and its European Union partners over internal frontiers is counterproductive and needs to be remedied by more integration in Europe," the report says.

It is published by the Action Centre for Europe, whose president is Lord Whitelaw, former deputy prime minister. Its council includes Mr Kenneth Clarke, the chancellor, and Sir Leon Brittan, the UK's senior commissioner in Brussels. The Templeman enquiry acted independently of ACE.

EU member states laid down the objective of a single market for goods, people, services and capital – without internal frontiers – in the 1986 Single European Act.

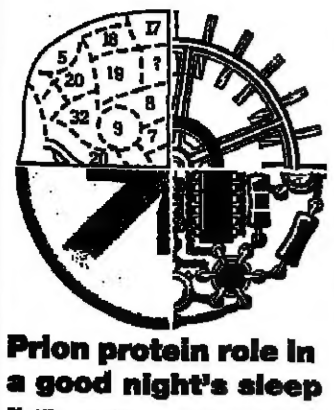
But the UK has insisted that independent control of its frontiers is necessary to control immigration and combat crime.

The report disagrees with the government, arguing that a large proportion of illegal immigrants are people who enter the country legally but overstay their right to remain.

It also rejects the view that without border controls the UK will be subsumed by Europe: "Frontier controls may have symbolic significance, but they are not essential for national sovereignty, national security or national identity."

TECHNOLOGY

Worth Watching · Vanessa Houlder



Prion protein role in a good night's sleep

Until recently, there have been few clues about the normal function of prions, the proteins implicated in BSE in cattle and Creutzfeldt-Jakob in people. But a report in today's Nature magazine suggests that prions may play a role in regulating sleep.

Researchers at the University of Zürich in Switzerland found that genetically engineered mice, which lack the prion protein, had abnormal sleep patterns and circadian rhythms. Their sleep was far more disturbed and fragmented than in normal mice.

A further link between prions and sleep regulation is provided by the similarities between the symptoms of the prion-deficient mice and those suffered by people with an inherited prion disease called fatal familial insomnia.

University of Zurich: Switzerland, tel 4112575957; fax 4112575707.

Cell breakthrough for genetic therapy

Genetic code blockers, which interfere with the action of certain genes, could eventually treat some diseases, such as cancer. By introducing strands of nucleotides into the cell, specific genes or gene sequences can be blocked, preventing production of disease-causing proteins.

One of the biggest problems with this technique is getting the long, highly charged nucleotides to pass readily through the fatty, lipid walls of cells.

Now scientists at Gilead Sciences in California and Glaxo Wellcome believe they have made a significant advance by developing an improved lipid "permeation enhancer" that efficiently transfers the nucleotides across cell walls.

The technique, reported in this week's Proceedings of the National Academy of Sciences, is also being used to explore therapeutic applications for the treatment of viral diseases.

Gilead Sciences: US, tel 415 5734858; fax 415 5734800.

Automatic Arabic translation

A machine translation system has been developed to translate English into Arabic. The Al-Mutarjim Al-Arabey contains more than 2m words; it will translate at a speed of 6,000 words a minute on a pentium 90 processor.

TransCo: UK, tel (0)181 569 8882; fax (0)181 569 8822.

3D x-ray lithography micro-technique

A pioneering micro-engineering technique that can make components with features as small as a micron (a thousandth of a millimetre) has found a commercial application.

Oxley Developments Company, a precision engineering company, has used three-dimensional deep x-ray lithography to make a passive optical switch for fibre optic networks, in what it believes is the first commercial application in the UK.

The lithographic process involves shining x-rays on a polymer that is partly shielded by a gold mask. Deep x-ray lithography achieves finer details than optical lithography (which is widely used to make semiconductor chips) because x-rays have a much shorter wavelength than ultraviolet light.

Oxley worked in partnership with the Institut für Mikrotech in Mainz, Germany and with Lancaster University in the UK, under the Teaching Company Scheme, which links industry with universities.

Oxley Developments Company: UK, tel (0)1229 582621; fax (0)1229 585090.

Writing's on the wall for graffiti artists

A Scottish company has developed a water-soluble coating that protects buildings from damage by graffiti and pollution.

Chemprep's wax emulsion blocks pores in the stonework. It is washed off along with the graffiti using hot water.

Chemprep Solutions: UK, tel (0)1786 472465; fax (0)1786 450557.

Tinted, flavoured, fragranced: Polymer's versatile films may transform processed foods, drugs and household goods

Wraps off a new packaging film

Jenny Luesby examines a versatile edible casing that is made from wheat and behaves like plastic

It may be hard to imagine the packaging around sandwiches as an enticing edible extra, but according to Polymer Films, a small private company in the US, it is set to become exactly that.

In the last few weeks, Polymer Films has applied for patents on a film which handles like plastic, but is made from wheat. It disappears during cooking and it can be tinted, flavoured or fragranced. It may transform processed foods, drugs and household goods.

In partnership with Enak, a British company that converts film into ready-to-use products, and Cambridge Consultants, also of the UK, Polymer Films is racing to develop innovative products from the film.

Enak says it is close to unveiling three in conjunction with multinational food processing companies.

In the meantime, a team of technologists and marketing consultants is presenting the film to manufacturers with the delight of conjurers at a children's party.

With the aid of a kettle of boiling water, a cheese-flavoured packet containing dried potato cubes is converted into cheesy mashed potato. Hold a jelly up to the light and a butterfly image emerges. Microwave a pie in plastic and remove only the pie. Slice through a cheesecake and discover a crunchy base and a moist top, kept separate with a layer of film.

Edibility is just the starting point. There have been edible films before, most notably made from wood-pulp cellulose. But those older edible films cannot be used as a moisture barrier as they are also completely soluble.

The new gluten film does not break down as it comes into contact with moisture at normal temperatures, opening up opportunities with hundreds of processed foods, says Geoffrey Lawrence, managing director of Enak.

"Manufacturers will be able to put an end to soggy pastry by wrapping pie fillings in the film," he says. On cooking, the film will dissolve because it is soluble at high temperatures.

It can be used to add flavours or fragrances to food, so that the film around a pastie gives off a cloud of "freshly-baked smells" as it melts away in a microwave. Similarly, the film lid on a microwaveable dish can be used as a way of revitalising the food's flavouring, or to add a fresh taste – such as green pepper – as it melts into the food. "Effectively, it can be the twist of lemon on the top of the fish pie," says Lawrence.

By adding different types of edible plasticisers, such as glycerine, the film can be turned into a gel when cooked. In layered foods, the gel would stop layers mixing, or prevent moisture moving between them. While consumers would notice the division, the barrier itself should pass them by: within food the film can be used in layers four times thinner than a human hair.

Meanwhile, as a packaging material, the film can be used on standard packaging equipment and heat-sealed around goods just as plastics are.

All these qualities surpass previous edible film. But the film still dissolves as rapidly in hot water as its forerunners did in cold water, taking just over 20 seconds.

This makes it just as useful for pre-measured sachets of hard-to-handle ingredients, such as enzymes. It also presents opportunities in drug delivery, says John Watson, president of Polymer Films, through drug pouches that dissolve under the tongue, allowing the drugs to enter the bloodstream more effectively than through the stomach. "The film can also be used as a casing for ordinary pills, or as a soluble material for use in microsurgery and wound dressings," he says.

The excitement at finding uses for such a novel material has also generated some new applications for older films too. The most common soluble film – best-known as the wrapping around toilet fresheners – is made of poly-vinyl alcohol (PVA), a petrochemical.

One idea from Cambridge Consultants is a device that drops down the plug hole of a kitchen sink, leaving a carousel of film strips hanging suspended from the plughole grid. The film is laced with disinfectant that dissolves a little at a time into everything that goes down the drain and curbs the growth of bacteria around sink and drains.

Other initiatives include a project at Queen Mary's College in London, being overseen by Enak, which is laser treating the gluten film so that it dissolves in some places but not others, to form lattices. At the same time, Enak has started producing stencils of film that can be dropped into translucent materials to form shadowy images.

It is the cost of the film, says Lawrence, that is driving this frenetic activity. It is expensive, and if food processors are going to start using it, "we need to make sure it really enhances their food".

But the emphasis on the film's value beyond being biodegradable may also foreshadow another development. At MIT, researchers seem close to realising the elusive goal of a cheap and versatile biodegradable plastic of the non-edible variety.

The key is a combination of PVA and ethylene with starch, which has a higher molecular weight than the other two ingredients. As the lighter materials move to the surface, they form a film around an inner body of starch.

By varying the ratio of ingredients, MIT has produced plastics that range from the toughness of the world's most common plastic, polyethylene, to the water-solubility of PVA film. All are biodegradable if shredded.

This may provide a cost-effective solution for manufacturers seeking biodegradable packaging. But no one will be proposing that we put this new plastic into our stomachs.

Grants in EU research

The European Union is making progress in defining the research fields that shoud receive the highest priority for future funding. Eight task forces have just reported to the EU council of research ministers on the areas that are most important for industrial competitiveness, employment and quality of life.

Some of these areas are in line to receive support from the additional Ecu700m (£550m) which the commission wants to allocate to the Fourth Framework Programme for research and development over the next two years. The programme's budget was originally set at Ecu12.3bn for the period 1994-98 and subsequently increased to Ecu13.1bn following the accession of Austria, Finland and Sweden.

EU finance ministers have yet to approve the extra R&D spending, and the German and Dutch governments are reported to be particularly reluctant, with Europe possibly facing a large bill for dealing with the effects of mad cow disease. The council of ministers is expected to make up its mind by the end of June.

However, even if there is little or no extra money this time, the task forces will still have an impact on the shape of the Fifth Framework Programme from 1999.

The eight areas are:

- Car of tomorrow. Cheaper and more efficient batteries; fuel cells; hybrid electric/petrol vehicles; reduction in exhaust pollution.
- New generation aircraft.
- Intermodal transport. Better compatibility between road, rail and air transport.
- Educational software and multimedia.
- Environmentally-friendly water technologies.
- Vaccines and viral illnesses.
- Trains and railways.
- Maritime systems.

Meanwhile, the Fourth Framework programme is proceeding at full pace. The table below, updated every three months in the FT, is a guide for companies and universities interested in applying for research grants.

Clive Cookson

EUROPEAN UNION RESEARCH AND TECHNOLOGY GRANTS

	Date/OJ Reference	Due date	Value Ecu m	DG	Contact fax/e-mail
Information Technology (ESPRIT)	15.12.94/C357 15.6.95/C148 15.3.96/C75	15.5.96 (part) 15.5.96 (part) 19.6.96	1911	III	Mrs Garda Colling +32-2-296.83.88 esprit@dg3.cec.be
Software; components & sub-systems; multimedia; high-performance computing; business process technologies; manufacturing integration					
Telematics Applications	15.9.95/C240	15.6.96	843	XIII	+352-4301.340.79 & +32-2-295.23.54 telematics@dg13.cec.be
Administration; transport; urban & rural areas; education & training; healthcare; environment; language engineering.					
Advanced Communications Technologies & Services (ACTS)	no open calls		630	XIII	ACTS Central Office +32-2-295.06.54 aco@postman.dg13.cec.be
Interactive digital multimedia; photonics; high-speed networking; mobility & personal communications networks; network intelligence.					
Industrial & Materials Technologies (BRITE-EURAM)	15.12.94/C357 15.12.95/C337	16.12.96-17.12.97 17.4.96 & 25.5.98	1617	XII	Help line +32-2-295.80.46
Production technologies; materials & technologies for product innovation; technologies for transport.					
Standards Measurements and Testing (SMT)	15.12.94/C357 15.6.95/C148 15.6.96	15.3.95-17.12.97 15.11.95-15.11.97 15.11.96	173	XII	Mr Pierre Mériguet +32-2-295.80.72
Measurements for Quality European Products; standards & technical support; measurements related to needs of society.					
Environment and Climate	15.1.95/C12 & 15.6.95/C148 15.12.95/C337 15.3.96/C75	15.6.96 & 27.3.97 (SMEs) 20.8.96 14.6.96	532	XII	Space technology +32-2-296.05.68 Other areas +32-2-296.30.24
Environmental quality & global change; environmental technology; space techniques for environmental monitoring & research; sustainable development					
Marine Science and Technology (MAST III)	15.12.94/C357 15.12.95/C337 15.3.96/C75	11.6.97 & 17.12.97 3.96-8.96 (training) 17.6.96,27.8.97,12.8.98	228	XII	Mr Jean Boissonnas +32-2-296.30.24
Marine science; strategic marine research; marine technology.					
Biotechnology	15.12.95/C337 15.6.96	3.96-7.96 (training)	552	XII	Mr Alfredo Aguilar +32-2-295.53.65
Cell factories; genome analysis; cell communications in neurosciences; immunology and vaccines; structural biology; biodiversity; social acceptance.					
Biomedicine and Health	17.1.95/C12 15.3.96/C75	31.3.96-31.12.97 (fellowships) 17.6.96	336	XII	Mr Alain Vanvossel +32-2-295.53.65
Pharmaceuticals; biomedical technology & engineering; brain research; human genome research; public health; biomedical ethics.					
Agriculture and Fisheries (FAIR)	15.12.94/C357	12.6.96 & 11.6.97 (SMEs) 1996/7 (fellowships)	607	XII	Mr Xabier Goenaga +32-2-296.43.22
Integrated production & processing chains; nutritious foods; agriculture, forestry & rural development; fisheries & aquaculture.					
Non-nuclear energy (JOULE-THERMIE)	15.12.94/C357 15.4.96 15.9.96	17.12.97 (demo) 1.97 (fellowships)	967	XII XVII	Mr Michel Poireau (R&D) +32-2-295.06.56 Mr Wiepke Folkertsma (Demonstration) +32-2-295.05.77
Strategy; rational energy use; renewable sources; fossil fuels; energy technology dissemination.					
Nuclear fission safety	17.1.95/C12 15.12.95/C337	1.11.97 modifies previous call	160	XII	Radiation protection +32-2-296.62.56 All other areas +32-2-295.49.91
Innovative approaches; reactor safety & severe accidents; radioactive waste management, disposal & decommissioning; impact on man & environment.					
Transport	no open calls 15.12.96	15.3.97	240	VII	Mr Wilhelmus Blonk +32-2-296.83.56
Strategy; rail; integrated transport chains; air; urban; water-borne; road.					
Targeted Socio-Economic Research (TSER)	No open calls 15.6.96		105	XII	Mr Stephen Parker +32-2-296.21.37
Evaluation of science & technology policy options; education & training; social integration & exclusion.					
International Cooperation (INCO)	15.2.95/C38 15.3.96/C75	grants 3.95 - 3.98 12.9.96	540	XII	Developing countries +32-2-296.62.52 Central/Eastern Europe +32-2-296.33.08
Central & Eastern Europe; other industrialised countries; developing countries.					
Dissemination & application of results (INNOVATION)	15.9.95/C240 15.12.95/C337 15.8.96	15.12.98 15.3.96 - 18.9.96 18.9.98	293	XIII	Mr Robin Miège +352-4301.34544 Mr Jean-Noël Durvy +352-4301.34129 Mr Mario Bellardinelli +352-4301.34989
Technology validation; technology transfer.					
Training & Mobility of Researchers (TMR)	15.3.96/C75	17.6.96	744	XII	Mr Dreux de Nettancourt +32-2-295.89.95
Research networks; access to large-scale facilities; training through research; conferences & summer schools.					

The table above shows the status of all 17 programmes that distribute R&D grants within the EU Fourth Framework Programme. The name of each programme (and acronym, if any) is on the left in bold type, with a brief list of its main research areas beneath.

The next column gives the date(s) on which the EU Official Journal has published a "call for proposals" for the programme, with the reference number of the journal. Dates without a reference number show when the future calls are scheduled.

The "due date" column gives the main deadline for submitting project proposals. Some calls have different due dates for different activities. The total budget of the programme over five years is given in millions of Ecu, followed by the number of the directorate-general responsible for it.

Finally, there is a contact name (where available) and fax number in Brussels or Luxembourg. For further information look for DG XII's pages on the EC's Europa web site at http://www.cec.lu/en/comm.html.

ARTS

Cinema/Nigel Andrews

A virus in search of a story

TWELVE MONKEYS
Terry Gilliam

SMOKE
Wayne Wang

UNZIPPED
Douglas Keeve

BEFORE AND AFTER
Barbet Schroeder

SUDDEN DEATH
Peter Hyams

In the matter of monkeys and typewriters, I have never believed the "Complete Works of Shakespeare" theory. Sit an infinite number of simians at an infinite number of Remingtons and you will more likely end up with *Twelve Monkeys* the movie script.

This is a film of connoisseur insanity. It is monkeyish enough to base a Hollywood sci-fi epic on a French experimental short: Chris Marker's *La Jetée*, a virus-destroys-the-world yarn composed as a montage of still photos. For a richer daftness you then hire director Terry Gilliam, the Python graduate who beggared Columbia with *Baron Munchhausen*; genre-hopping screenwriter David Peoples (*Blade Runner*, *Unforgiven*); and star Bruce Willis, who bares his bottom so often in the early scenes, under pretext of taking showers, that we suspect he is determined to prove that he at least is no baboon.

Co-star Brad Pitt is another story and seems to be starring in one. His hunched, gibbering, finger-jabbing, characterisation, which inevitably resulted in a best supporting actor Oscar nomination, is Jerry Lewis to Willis's Dean Martin or possibly Cheetah to his Tarzan. Where time-warrior Willis has been despatched from 2035 A.D. to 1990 to find the source of a world-depopulating virus, Pitt, whom he meets in a lunatic asylum, probably *is* the virus and its lord and master.

After a brief, puzzling detour to 1916 where he receives a first world war bullet in the leg, Willis returns to the 1990s to discover that Pitt is now at large: though whether staying at the mansion of his equally mad virologist father Christopher Plummer counts as care in the community is doubtful.

Then there is Madeleine Stowe, beauteous but bewildered state psychiatrist. Then there is Willis's recurring boyhood memory of an airport shoot-out. And then there is the "Army of the Twelve Monkeys," which goes about Philadelphia smearing anti-vivisection graffiti and which may have engineered the virus. Who is its leader? Why, mad Brad Pitt in the climactic phase of his Oscar histrionics.

Just as owners come to resemble their pets, some nightmare-in-time movies become nightmares in time. As in *Brazil* Gilliam summons the combined shades of Heath Robinson and Hieronymus Bosch to create his dystopic future-world, all bric-à-brac and leering wide-angle lenses. And the present-day plot sprawls every which way, making us nearly weep at the time wasted on fatuous, *toujours Tinseltown* chases when so little is spent on making the characters human and engaging.

"I want the future to be unknown, I want this to be the present . . ." murmurs a moved Willis in one too brief love duet, ushering in a whole new dimension of the heart and mind. Then it is back to the crashes, bangs and eyeblowing visuals, with only some late clips from *Vertigo* to remind us what a true master can do with the gimmick-free handling of time, memory and illusion.

★

Actually we do not have to go back to Hitchcock. *Smoke*, directed by Wayne Wang and written by Paul Auster, is a pipe dream in the shape of a puzzle. Like an Auster novel it is high on conundrum. Why does William Hurt have writer's block? Why has his friend, Brooklyn cigar-store owner Harvey Keitel, taken 4000 photos of his shop's street corner? Is Keitel's ex-girlfriend Stockard Channing lying about their daughter's crack addiction? Who is "Rashid Cole" and why is it not his real name?

Question marks are the same shape as cigar smoke, so no wonder this film leaves one blissfully, narcotically – and intelligently – dazed. For Auster the serendipity of human lives is part of a larger teasing knowability, which the artist will find if no one else does.

When not racked into connection by wry coincidence, *Smoke*'s multiple plots are linked by the theme of measurement and measurelessness. Money changes hands with rapt earnestness, as if it could really correlate with human values. Eccentric disfigurements – an eyepatch, a prosthetic arm – are used as heraldic markers of emotional loss. And the film is framed by two eerie, deliciously witty shaggy dog stories, one about Sir Walter Raleigh weighing cigar smoke, the other about the ironic confluence of a stolen camera and a vanishing subject.

■

The man subjected to the title verb in *Unzipped* is New York fashion designer Isaac Mizrahi. He is "unzipped" by Douglas Keeve's hilariously prying documentary, all tart revelation and tilted angles. And he is "unzipped" in his own baroquely camp personality.

Mizrahi looks like a frizz-topped Sergei Eisenstein (another noted gay image-maker) and sounds like a combination of his favourite screen divas. Since these too appear in film excerpts – Bette Davis, Susan Hayward, Claudette Colbert – we are so busy giggling at Mizrahi's quips and film quotations that we learn nothing at all about the art of clothes designing.

The film climaxes in a swirl of flashbulbed catwalk action, as Cindy, Naomi and the rest show off Isaac's latest collection, inspired by *Nanook Of The North*. But we hardly know if it is failure or triumph that a man's career has been so gleefully followed, for so brisk a 74 minutes, without our having the faintest idea why he does it.

Mizrahi should have been unleashed upon *Before And After*. A gay friend with a supply of wisecracks might have helped Meryl Streep, the mother of a murder-suspected teenager, and Liam Neeson, his evidence-destroying dad, to loosen up. In its Nanook-like corner of the American north this family is stressed to fracture point by a *cause célèbre* trial and by large wedges of TV-movie dialogue.

Director Barbet Schroeder has shown his own couturier talent for turning hand-me-down thriller plots into crisp ensembles (*Reversal Of Fortune*, *Single White Female*). But Ted Tally's script from Rosellen Brown's novel – containing lines like "There's a perfectly rational explanation for all this" that were surely banned by the cliché police years ago – would defy the most inventive re-tailoring. Worst sight of all is our own Alfred Molina as the boy's defence lawyer: a cherishably sad-sack British actor forced to snarl, bark and thumb his braces like Fredric March on leave from *Inherit The Wind*.

Sudden Death is also silly, but enjoyable. Jean-Claude Van Damme commandos his way through a giant ice hockey stadium where villains have kidnapped the American vice-president. Fisticuffs on roofs; much swinging from the light-rigging; an exploding helicopter; and a chief baddie Powers Boothe with a quip for all occasions. "An end to bigotry and mini-malls" is his first jocular demand, before he puts in for the more serious and reasonable $1.7bn.

Sad valedictions to director Tomas Gutierrez Alea and actor Ben Johnson, who both died this week. Alea brought wit and subversion to Cuban cinema in films like *The Last Supper* and *Strawberry And Chocolate*. Slow-spoken Johnson graduated from John Ford cowboy to the drawling Oscar-winner of *The Last Picture Show*. Two likable talents, who can surely be mourned in common by both Havana and Hollywood.

Time-hopping insanity: Bruce Willis and Brad Pitt in Terry Gilliam's 'Twelve Monkeys'

Ballet

Murky style from Canada

The programme for Les Grands Ballets Canadiens – a document less than informative – proclaims on its cover "Contemporary style. Classical inspiration". Ah, if only! What I saw at Tuesday's opening of a short visit to Sadler's Wells was neither inspiring nor classical, with style singularly absent. The company is returned to these shores after a decade with what is said to be a "contemporary" (though not Canadian contemporary) image: a piece by Mark Morris; the inevitable baggage of Kylian and Kylian clones; that ancient bore *The Moor's Pavane*; an early Forsythe. This is not a repertory but a *déjà vu* phenomenon.

The first of its two programmes opened with Mark Morris's *Quincunx*. This is plotless, academic in manner, and set to some pretty Donizetti writing for strings. Morris has made what may well be a delightful, fresh-faced and ingenious piece, but its virtues are obscured by the troupe's murky classical style. Nothing looks clean or spacious, and eagerness – the cast are very eager – is no substitute for clarity.

Hot on *Quincunx's* heels comes *Double Time*, a duet for two men by Itzik Galili, about whom the programme is mute though telling us that the dance is "brutally frank" but "will soften to reveal a fragile vulnerability". A likely story. The piece is a nonsense in which two chaps make desultory grabs for each other, and at last – such being the usual dénouement for homo-erotic romps – end up in an embrace. Bully for them, and damned boring for us. I don't care what the men do – so long as they don't frighten the horses – but they ought not to do it in front of strangers.

Worse follows. Kevin O'Day, young American choreographer, has chosen a nagging, clattering score by Steve Martland to drive his cast into various unrelaxed and sportive activities. Four couples in shades of coffee – the design throughout the evening is deadly – go through their unrelenting and all-too-predictable routines, smiling the while. Nothing happens.

Nothing happens in the closing *Black Cake* by Hans van Manen to persuade me that Dutch choreography has anything to offer us except angst and low-level jokiness. Six couples in variously un-chic black outfits (the men in see-through trousers, which is not a fashion I commend to the sartorially careful) are trapped in gems from Tchaikovsky, Massenet, Mascagni, Janáček, Stravinsky. (All of whom, I assume, have offended Mr van Manen, who here takes his revenge). There are duets – one amusing – and, to the *Thaïs* meditation the cast get drunk on two half-glasses of champagne. The piece was meant as a caprice for the 30th birthday of Nederlands Dans Theater, and should have remained on the floor after the party with the relics of the canapés and the cigarette ends.

Clement Crisp

Les Grands Ballets Canadiens are at Sadler's Wells Theatre until Saturday.

Opera/Richard Fairman

Welsh 'Faust'

The spotlight is on Welsh National Opera this year. At the weekend Radio 3 broadcast a 50th anniversary tribute reminding us how many compelling performances the company has presented in its first half-century and then went on to a relay of one of the very best – the recent production of *Cav and Pag*, which sounded even more electric than it had in the theatre.

Then, on Tuesday, came the new *Faust*, which should also make a fairly impressive radio broadcast, in its turn. Charles Mackerras, WNO's former musical director, was back in the pit and getting the kind of performance where everybody sounds sure of what they are doing. It was a shame that he decided against using the spoken dialogue which helps to speed the opera along, but there was no slacking in the musical numbers: this Faust was riding to the abyss at a gallop.

The introduction to the Jewel song went at such a sparkling pace that Marguerite had to be quick to get her tongue around the words. That is the sort of brilliance that Gounod's music needs, if it is not to lapse into cosy sentimentality. Mackerras also had the WNO chorus, on top form this season, singing for him with a vitality that belied its role here as members of the Victorian moral majority, dressed in funereal black with each glowering over his or her a blood-red copy of the Faustian pact.

That, of course, will be the advantage of hearing the performance on the radio. No attention will have to be diverted to working out what the production means. The Germans have never forgiven Gounod for taking the intellectual stuffing out of Goethe's *Faust* and persist in calling the opera *Marguerite* to this day. Christopher Alden's production for WNO might be their revenge. It has put the stuffing back until the opera is fit to burst.

If I have it right, Alden sees Mephistopheles as a tormented man who wants to force a share of his misery on some *alter ego*. The contract gets signed because Faust is fed up with living in a society racked with war and alcoholism, where the idea of a fun party involves the guests parading up and down with black balloons. The local people are real killjoys, who have watched Marguerite's fall from grace with contempt and clearly approve when she is executed at the end.

Then again, I may have it all wrong. But at least the audience can respond to a lively show, which has a sense of humour and its fair share of dramatic excitement, even if the ideas do not always add up. Bruno Schwengl's design is a plain semi-circular arena (circus-ring or stage?) and the props are limited to the bare necessities – a goblet, a jewel casket, a ladder up to heaven and a trap-door down to hell.

Marguerite is poised over the latter with her head in a noose at the end, which suggests she is destined to go in the opposite direction to usual. It is hardly an appropriate thank-you to Janice Watson, whose singing was often beautiful and at a couple of moments quite divine. A pity that she struggled a bit over the final trio. Paul Charles Clarke as Faust is not a natural French stylist, but works hard to inject the right sensitivity, including a poetic top C at the climax of his aria. Alastair Miles's Mephistopheles scores as the one who really makes the English translation tell, getting the text to lash out with devilish sarcasm. Physically, too, he gives a splendid performance, which marks a new step forwards in his career.

They make a strong central trio and get good support from Jason Howard, who sings Valentin's two big numbers vibrantly, and Susan Gorton's characterful Martha. Joanne Edworthy is an edgy Siebel, who is hampered by having to go courting not with a lovers' posy, but a massive flowering bush. That is the trouble with the root-and-branch style of opera production. A few twigs of inspiration would be nice. What you get is the whole darn tree.

Further performances at the New Theatre, Cardiff on April 16, 18 and 26: then on tour.

Concert/Stephen Pettitt

Sawallisch and the LPO

Wolfgang Sawallisch and the London Philharmonic Orchestra are best friends. Or so it appeared at the Royal Festival Hall on Tuesday for the second of the two concerts he conducted with the beleaguered band, when he insisted that the players remained standing to receive their share of applause while he stayed modestly offstage. It was a generous and a pointed gesture, serving to encourage us to send the letter supplied with every programme urging the National Heritage Secretary Virginia Bottomley to make proper funding of London's orchestras a priority in the run-up to the next general election.

Send your letters, for after such a concert one can harbour no doubts that the LPO, in fighting spirit after the arrival of Serge Dornay as its new artistic advisor, thoroughly deserves to be given the kind of funding that will allow it to thrive. The band played for Sawallisch not with the depressed resignation that has affected one or two of its performances of late, but with a concentration and a pride in its own abilities that was heartwarming.

In fact, instilling that sense of pride which comes naturally to German musicians blessed with state and city backing that recognises the value of their labours, was the key to the finesse of Sawallisch's interpretations of Brahms and Beethoven. He is known as a safe pair of hands who concentrates on safe repertoire. But he is more of a conductor than that, and he produced a beautifully tinted performance of Beethoven's "Pastoral" Symphony. It was exquisitely balanced, characterfully phrased, and polished only to the extent that detail was highlighted rather than erased. And the players showed an impressive confidence at those crucial moments when even the most expert players can take a tumble. Horn solos were beautifully placed; the woodwinds were marvellously secure in tone and pitch; the double basses provided an unusually sonorous foundation; and the higher strings achieved a sophisticated sound rarely heard outside Austro-German territories.

Orchestra and conductor had been just as effective in Brahms's Double Concerto, a first-movement oriented piece in the Classical mould; heroic to a degree but, thanks to its relatively light-hearted finale and its outwardly simple (and here extraordinarily touching) slow movement, uniquely personable compared with Brahms's other concertos. The soloists, the violinist Frank Peter Zimmermann and the cellist Heinrich Schiff, made a fine team, exalting in rampaging drama, poignant song, and carefree dance alike. Neither is the kind of player who likes to apply a smoothing iron to the music's surface. And for all his bank-managerial appearance, Sawallisch was in full accord with their sometimes swashbuckling, always infectious ways.

INTERNATIONAL

ARTS GUIDE

■ AMSTERDAM

CONCERT
Concertgebouw
Tel: 31-20-5730573
● Koninklijk Concertgebouworkest: with conductor Riccardo Chailly, the Asko Ensemble, soprano Sarah Leonard and trumpeter Markus Stockhausen perform works by Stockhausen, Varèse, Verbey and Dallapiccola; 8.15pm; Apr 20

■ BERLIN

OPERA
Komische Oper Tel: 49-30-202600
● La Bohème: by Puccini. Conducted by Shao-Chia Lü and performed by the Komische Oper. Soloists include Rossmanith, George, Mewes and Schmeckenbecher; 7.30pm; Apr 20

■ BIRMINGHAM

CONCERT
Symphony Hall
Tel: 44-121-2123333
● Gothenburg Symphony Orchestra, with conductor Neeme Järvi perform Sibelius' Pohjola's Daughter, Symphony No.6 in D minor and Symphony No.2 in D; 8pm; Apr 20

■ CAMBRIDGE (US)

EXHIBITION
Arthur M. Sackler Museum
Tel: 1-617-495-9400
● The Fire of Hephaistos: Large Classical Bronzes from North American collections: this exhibition comprised of full figures and body parts concentrates upon large-scale Classical bronze statues. Executed in what is known to have been the most preferred medium for sculptors and patrons during the classical period, very few of these choice statues survive today. The display includes 52 large Greek and Roman bronzes and focuses both upon the links between ancient styles and techniques, and the new research methods that scholars are using today to study this ancient industry; from Apr 20 to Aug 11

■ COLOGNE

OPERA
Opernhaus Tel: 49-221-2218240
● Madama Butterfly: by Puccini. Conducted by Rico Saccani and performed by the Oper Köln. Soloists include Marina Spacanga, Regina Mauel, Olafur Bjarnason and Laura Cabina; 7.30pm; Apr 19

■ COPENHAGEN

DANCE
Det Kongelige Teater
Tel: 45-33 14 10 02
● Onegin: a choreography by John Cranko to music by Tchaikovsky, performed by the Danish Royal Ballet. Soloists include Heidi Ryom, Martin James, Henriette Muus and Mads Blangstrup; 8pm; Apr 20

■ HAMBURG

CONCERT
Musikhalle Hamburg
Tel: 49-40-346920
● Hamburger Mozart-Orchester: with conductor Robert Stehli and horn-player Hermann Baumann perform works by Schubert, Mozart, R. Strauss and Beethoven; 8pm; Apr 19

■ LONDON

CONCERT
Barbican Hall Tel: 44-171-6388891
● Moscow Soloists: with conductor/viola-player Yuri Bashmet perform works by Britten, Dvorák, Stravinsky and Prokofiev; 7.30pm; Apr 20
Royal Festival Hall
Tel: 44-171-9604242
● The London Philharmonic: with conductor George Pehlivanian, cellist Ofra Harnoy and organist James O'Donnell perform works by Glinka, Elgar and Saint-Saëns; 7.30pm; Apr 19
St. John's, Smith Square
Tel: 44-171-2221061
● The BBC Singers: with conductor Stephen Cleobury, violinist Louisa Fuller and organist David Goode perform works by Cornelius, Karg-Elert, Dupré and Martin; 7.30pm; Apr 19
EXHIBITION
British Museum
Tel: 44-171-6361555
● Recent Acquisitions of Prints and Drawings 1991-1995: this display shows some of the gifts and purchases that have been added to the collection over the past five years. Highlights of the exhibition include a double-sided sheet by Marco Zoppo, made in Padua in the 1450's; to Apr 21
OPERA
Royal Opera House - Covent Garden Tel: 44-171-2129234
● Nabucco: by Verdi. Conducted by Wladimir Jurowski and performed by The Royal Opera. Soloists include Nina Rautio, Leah-Marian Jones, Jennifer Rhys-Davies and Dennis O'Neill; 7.30pm; Apr 19, 22, 25

■ LYON

OPERA
Opéra de Lyon Tel: 33-72 00 45 00
● Così fan Tutte: by Mozart. Conducted by Laurent Pillot and performed by the Opéra de Lyon. Soloists include Rossella Ragatsu, Pomone Epoméo and Stéphanie Morales; 8pm; Apr 19, 21 (5pm)

■ MADRID

CONCERT
Auditorio Nacional de Música
Tel: 34-1-3370100
● Orquesta Nacional de España: with conductor Walter Weller and clarinettist Enrique Perez Piquer perform works by Shostakovich, Bautista and Beethoven; 7.30pm; Apr 19, 20, 21 (11.30am)

■ NEW YORK

CONCERT
The Metropolitan Museum of Art
Tel: 1-212-879-5500
● Guarneri String Quartet: with soprano Benita Valente perform works by Mozart, Harbison and R. Schumann; 8pm; Apr 20
OPERA
Metropolitan Opera House
Tel: 1-212-362-6000
● Die Walküre: by Wagner. Conducted by James Levine and performed by the Metropolitan Opera. Soloists include Gabriele Schnaut, Deborah Voigt, Plácido Domingo and Robert Hale; 0.30pm; Apr 23 (6.30pm), 25

■ PARIS

CONCERT
Notre-Dame de Paris
Tel: 33-1 42 34 56 10
● Choir of the Maîtrise de Notre-Dame de Paris: with director Sébastien Guillot perform Charpentier's Le sacrifice d'Abraham and Carissimi's Jephté; 8.30pm; Apr 23
Théâtre des Champs-Elysées
Tel: 33-1 49 52 50 50
● Vogler Quartet: and pianist Michel Dalberto perform works by Haydn and R. Schumann; 11am; Apr 21

■ ROME

CONCERT
Accademia Nazionale di Santa Cecilia Tel: 39-6-3611064
● Members of the Accademia di Santa Cecilia: with conductor George Benjamin perform works by Varèse, Petrassi, Falla, Webern and Benjamin; 8.45pm; Apr 19

■ THE HAGUE

EXHIBITION
Het Paleis Tel: 31-70-3381120
● Frantisek Kupka: exhibition of works by the Czech painter Frantisek Kupka (1871-1957). The display includes more than 50 paintings from the Musée Nationale d'Art Moderne in Paris and the Národní Galerie in Prague. Also on display are preliminary sketches for book illustrations; from Apr 20 to Jun 16

■ VIENNA

CONCERT
Konzerthaus Tel: 43-1-7121211
● L'amore dei tre re: by Montemezzi. Concert performance by the ORF-Symphonieorchester with conductor Pinchas Steinberg. Soloists include Denia Mazzola Gavazzeni and Ferruccio Furlanetto; 7.30pm; Apr 19

■ WASHINGTON

CONCERT
Lisner Auditorium
Tel: 1-202-994-6800
● Samson et Dalila: by Saint-Saëns. Concert performance by the Washington Concert Opera, featuring mezzo-soprano Denyce Graves; 7.30pm; Apr 19, 21 (6pm)

■ ZURICH

OPERA
Opernhaus Zürich
Tel: 41-1-268 6666
● Il Trittico: by Puccini. Conducted by Marcello Viotti and performed by the Oper Zürich. Soloists include Mara Zampieri, Giorgio Zancanaro and Boiko Zvetanov; 7.30pm; Apr 19

WORLD SERVICE

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Squawk Box

10.00
European Money Wheel

18.00
Financial Times Business Tonight

Peter Martin

Land-rush in cyberspace

The phenomenal success of the Yahoo! flotation reflects the desire of investors to gain a stake in the last great real-estate boom of the century

Definitive proof of the scale of the Internet craze comes in the $1.1bn market capitalisation briefly accorded last Friday to Yahoo!, an electronic catalogue of the World Wide Web.

So egregious is the overvaluation – Yahoo!'s midday market capitalisation yesterday was $681m – that it is hard to convey in the FT's sober prose. This is a company with total revenues of around $3m since its launch in March 1995, giving it a price/revenue multiple of 340. There is no price/earnings ratio: Yahoo! has achieved an operating profit ($62,000) in only one of its four quarters. It is run by Jerry Yang and David Filo, who until two years ago were graduate students at Stanford University; they have no previous business experience.

It is not surprising that there is a flourishing Internet discussion (in the *alt.investments.misc* newsgroup) headed "Yahoo!: how to short", in which eager participants examine the best ways to sell the stock short and profit from its expected precipitous decline in price.

The performance of Yahoo!'s shares is partly a reflection of the extremely limited stock available to the public – only 10 per cent of total shares outstanding. It is also a legacy of the Netscape offering last summer. Those who felt that stock was overpriced at its initial public offering level of $28 in August were confounded when it rose above $160 by early December and then – after a two-for-one stock split – settled at $54, a 289 per cent premium on its flotation price. Those who scoffed then look foolish; those who shorted the stock lost their shirts.

Yet there is a fundamental difference between the two companies, which both explains Yahoo!'s more spectacular performance, and makes it still more implausible. Netscape makes software to allow computer-users to browse the World Wide Web or provide information across it. When you buy stock in Netscape, you are doing so in the belief that it will be another Microsoft. Netscape is distinguished from other software companies merely by the scale of its ambitions and the speed and aggressiveness with which it is pursuing them.

Yahoo! is an entirely different proposition. It is itself a site on the Web, which acts as a guide to all the rest. To use it, you browse through a hierarchical menu of subjects, starting with 14 top-level categories such as Economics and Business, and going down through levels that lead you through some of the 16,000 ever more precise sub-categories, until eventually you find the web site you seek. Alternatively, you can type in the word you are looking for, and Yahoo! will search the whole of its catalogue, or any of its specific categories, to find sites that contain that topic.

The company gets its revenues mostly from selling advertising on its pages. It can thus be compared with a billboard company – which makes the valuation even more extreme. The total US market for billboard advertising in 1994 was less than $1bn; the total revenue of all World Wide Web advertising this year is estimated at $300m.

But of course, the value put on Yahoo! reflects more than just those sober numbers. It is, in effect, a bet on the newest category of asset: cyberspace real-estate. As in all great land rushes, it is driven by the belief that they just aren't making lakefront property any more.

The trouble is that they *are* making more cyberspace property: it is infinitely extensible. Already, there are many alternative ways of searching the web, some with superior technology, others with a wider reach. Digital's Alta Vista site, for example, indexes 6bn words on the Internet, including not just web sites but also long-defunct discussion groups; it does so using its latest, extremely powerful, Alpha computers.

Part of Yahoo!'s appeal lies in the belief, however, that it has a significant first-mover advantage. Its supporters argue that, as the first widely accessible search engine, it has built up a unique brand-name and momentum, attracting a million visits a day in February this year.

On this view, the ever-expanding scale of cyberspace, far from threatening Yahoo!, makes it increasingly valuable. To make sense of the electronic universe, you need a reliable guide. Yahoo! is not only the best-known of such guides, it has also built up a distinctive structure to its index, which it rather pretentiously calls its "ontology".

This classification scheme, some argue, will prove a long-lasting asset, protected by the intellectual property laws or at least by the effort required to duplicate it. Perhaps. But it is hard to see the Dewey Decimal Classification – another "branded navigational gateway", to use the language of Yahoo!'s prospectus – attracting a $700m capitalisation.

The branding issue is a more serious one. Yahoo! has undoubtedly created a valuable brand from scratch, one which is already being extended to other areas – a book, a magazine, overseas licensees and so on.

Yet brands are more than well-known names, otherwise such brands as Vimto or Studebaker, once nationally famous, would not have dwindled into comparative or complete commercial irrelevance. They reflect also the core benefits that the product provides, and the way in which those benefits are delivered to the consumer. It is in this area of benefits that Yahoo! is most vulnerable from aggressive competitors who offer superior editorial selection, wider reach, better technology, a more specialised focus or a superior index structure. Threats of all these sorts are in evidence; and their imminent arrival will only be hastened by the price-tag Yahoo! has achieved.

Perhaps the most telling comparison is with another Internet-related deal of the last few days: the sale of RSA Data Security for roughly $200m in stock to a company called Security Dynamics. RSA was founded over 10 years ago to exploit the computer security systems devised by three academics, Professors Rivest, Shamir and Adelman. They had invented a practical way of using a new form of cryptography on which much of the Web's future and planned security is based. RSA's work allows customers to send their credit card numbers across the web in safety; and it permits messages and transactions to be properly authenticated.

RSA has strong patents and many years of building up valuable expertise in applying them. It has revenues in the first quarter of 1996 of $12m and net income of $2.5m. It is also by far the best-known brand in its field. Yet it has gone for a fraction of the value attributed to Yahoo!.

The difference in these two values surely lies in the different nature of the brand, and the infinitely malleable nature of human expectations. Yahoo! is an end-user brand that offers a stake in the ever-expanding acres of cyberspace. Its value is as great or as small as you wish to make it. RSA, by contrast, has a known history and a predictable future; and it sells its products to other businesses rather than to end-users. When it comes to the crunch, a consumer franchise always seems more valuable than a technological or business one; and an unknowable future more seductive than a quantifiable past.

The last of the century's great real-estate booms is under way in cyberspace. Some people will get extremely rich in the process; as in all such booms, they may not always be the most deserving cases. Others will see their hopes, hard work and savings rendered valueless by the vagaries of taste and location. In such booms, however, one thing is certain: after the ups and downs, the triumphs and the bankruptcies, the property gets developed and the frontier days are left behind. The residents of Florida retirement communities – or the Scottish financial grandees who inhabit Edinburgh's 18th century New Town – scarcely remember the speculation on which their community was built. So it will be in cyberspace.

Additional research by Rinka Nachoma.

BOOK REVIEW · Samuel Brittan

THE DEATH OF INFLATION: By Roger Bootle
Nicholas Brealey, £16.99 244pp

Deflation just as big a risk as inflation

Since the early 1990s predictions of inflation in almost every western country have usually turned out to be too high while predictions of output have been too low.

Consider the following associated facts:

- Against almost all expectations, UK inflation continued to fall after departure from the European exchange rate mechanism in September 1992. So, more remarkably, did inflation in Italy, which experienced a bigger currency depreciation.
- The growth of earnings decelerated in the UK in 1995 even though unemployment fell substantially over the year. Indeed, UK pay rates rose by a good two percentage points less than some mainstream forecasting models suggested they would rise.
- Average earnings in the US rose by only 3 per cent in 1995 in spite of an average unemployment rate of just over 5 per cent – well below the rate at which most macroeconomists expected pay and price growth to accelerate.
- There is so far little sign that UK consumers are inclined to engage in a spending binge on the basis of bonanzas, such as building society share issues.
- So far – and keep your fingers crossed – there have been no adverse inflationary consequences from UK monetary growth above the suggested monitoring ranges.

The one safe conclusion is that the economic climate has been more deflationary than national authorities either expected or intended. More tentatively, such facts suggest the parameters of economic relationships have changed.

It is still true that rapid nominal demand growth leads to inflation and that a high and prolonged growth in monetary assets will stimulate such growth. But the size of the links is now different. It takes a bigger expansion in the stock of money (however defined) to set off inflation.

A non-inflationary policy for sustainable growth is now consistent in several countries with a lower rate of unemployment than many model-makers had estimated. Because demand is so depressed in many countries the transmission mechanism from the exchange rate to domestic inflation is weaker than it appeared earlier.

Roger Bootle, the City economist, uses developments such as the above not only to say that inflation has gone away but also to make a gauche attack on the monetary approach to the subject. However, while we desperately need more popular expositions of economics, what he has given us is not popular but populist.

Inflation refers to the behaviour of the general price level. To explain it as a real phenomenon in terms of what happens to specific prices, as Bootle often tries to do, is a howler. Is it not obvious that a large rise in the price of an important commodity such as oil or high wage settlements in key industries will set off an inflationary spiral? No it is not. In some circumstances other prices will fall by way of compensation. In others there will be a once for all rise in the price level and no compensating adjustments.

The next steps depend crucially on the reactions of the monetary system. A permissive monetary policy is indeed likely to set off the feared spiral, while a rigidly non-accommodating one would stop any rise in inflation, but at a considerable short-term cost to output and employment.

Bootle resurrects the old canard of the 1960s that inflation was due to a struggle between different groups – for example, between public and private sector workers. But such a struggle can have many different results, of which inflation is only one possibility. In 17th century England it led to a civil war, while in continental Europe now it is leading to unemployment.

Bootle wants to go yet further. He asserts that we are seeing "the death of perpetual inflation and the beginning of the zero era". In truth we just do not have the knowledge to predict historical trends and are never likely to have it.

The author is right to discuss influences such as competition from Asian countries or the greater rivalry in domestic markets – both of which have forced businesses to be much more cautious in passing on cost increases in higher prices. Prof Patrick Minford, who is a dissident member of the chancellor's Independent Forecasting Panel, is also right to put emphasis on the Thatcher measures to weaken union power.

These things are primarily relevant to the supply performance of the economy. But they do make a difference to the ease with which governments and central banks can pursue anti-inflation policies. The unemployment costs of such policies are less and the resistance to them is weaker.

Bootle is in a dilemma here. For headline purposes he wants to attack central banks for maintaining too high a level of nominal interest rates, because they result in unnecessary depression of output and employment. Yet the small print of his argument requires that economic agents should adjust pay and prices much more quickly in response to deflationary policies. In that case falling prices – or at least measured inflation rates well below official targets – would soon show policymakers they have gone too far.

My own view is that wages and prices are not yet so flexible and that official reactions to errors not so quick that we can rely on such an automatic feedback. This is why I prefer – along now even with some Bank of England economists – a nominal demand objective which pays attention to output as well as prices. It would be sad if the theoretical weaknesses of this book were to blind readers to the validity of Bootle's *ad hoc* observations.

·LETTERS TO THE EDITOR·

Number One Southwark Bridge, London SE1 9HL

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Britain treading path to a sorry mess on Emu

From Sir Roy Denman.

Sir, Your leader "The ins, the outs and Emu" (April 11) and your reporting of the meeting of EU finance ministers at Verona ("Victory for all", April 15) do not seem to have grasped the hole the UK is in on economic and monetary union.

When, in little more than 18 months, an inner group decides to move to Emu, they will naturally look to protect the single market from distortions caused by currency swings against a fixed exchange-rate bloc. So they will insist on other EU members (the outs) giving some guarantee of exchange rate stability.

Most will agree. But I fear that the British government, under pressure from Conservative Europhobes, will refuse. If speculators then force a depreciation of sterling (an unattached currency that, in 40 years, has lost 80 per cent of its value against the D-Mark might seem a tempting target) the ins may well impose a surcharge on British exports to the rest of the EU.

If the British cry that this is illegal, the ins could invoke Article 3 of the Treaty of Rome (member states "shall abstain from any measure which could jeopardise the attainment of the objectives of this treaty") coupled with the Maastricht treaty commitment to the establishment of an Emu.

With a plunging pound, a big trade row with our EU partners and (as the chancellor has warned) investment from overseas going elsewhere, we should be in a sorry mess.

It is high time for us to decide either to continue in good faith on the conveyor belt to some form of federal union, or to get off.

Roy Denman,
194B Avenue de Tervuren,
1150 Brussels, Belgium

Daimler may be without raison d'être

From Mr Vic Heylen.

Sir, Wolfgang Münchau was right to raise the question whether Daimler-Benz still needs two managements for Daimler and Mercedes-Benz ("Daimler runs into diversion on the road to reform", April 11).

Before the era of the former chairman, Mr Edzard Reuter, cars and trucks generated practically all of Daimler-Benz's revenue.

With the prospects of a huge integrated technology concern in the making, possibly in co-operation with Mitsubishi, a new organisation was needed. Daimler-Benz became the name of the new group, with the Mercedes-Benz vehicle subsidiary as one of many divisions.

Considering the frantic pace at which the haemorrhaging technology concern is now being sold off, together with the ambition of Helmut Werner, president, to increase turnover to DM100bn by 2000, the vehicle division will by then most likely again generate up to 90 per cent of the group's total revenue – leaving Daimler-Benz – Mr Jürgen Schrempp, the chairman included – without a plausible raison d'être.

Vic Heylen,
Analyse Auto,
Mechelse Stw. 12
2000 Antwerp,
Belgium

Ideas that will pass the market test

From Mr Will Hutton.

Sir, Martin Wolf lazily and uncharacteristically sets up a straw man to knock down in his alleged re-reading of my book *The State We're In* ("No answer in Germany", April 16).

I neither deplore all things British nor stand in awe of all things German as he wants me to believe.

I argue that successful capitalism is rooted in combining apparently contradictory impulses – market flexibility with relationships of trust and co-operation; the heart of my definition of stakeholding.

Particular countries can only build the institutions to represent this philosophy from where they begin; they cannot pick and choose those parts of foreign models that appear to work well and transplant them to Britain wholesale – a point the book stressed long before David Soskice, whom Wolf quotes approvingly, made the same argument in Prospect.

However, I do believe that Britain would benefit from financial structures that fostered more committed ownership, long-term debt and decentralised decision-making – but they can only be constructed from where we are and not introduced as "German" implants.

Moreover, this advocacy springs not from the imagined low esteem in which Wolf believes I hold my country but because I love it – and despair for the prospects of millions of my fellow citizens as matters stand.

Wolf, protesting otherwise, needs to explain why those who buy the book in such numbers find it chimes with their own experience.

Its ideas seem to be passing the market test; would his?

Will Hutton,
editor,
The Observer,
119 Farringdon Road,
London EC1R 3ER, UK

High price for publicity

From T.P.E. Machin.

Sir, The prospective launch of a £4m advertising campaign by the Department of Trade and Industry to promote Business Links is, at best, ill-considered and, at worst, a misuse of funds.

The British Printing Industries Federation identified last month ("Business Links' activities criticised", March 15) the deleterious effects on its own operation of the subsidies provided by DTI to Business Links. The government's desire for greater provision of services to local small and medium business enterprises, while well-intentioned, should not be at the expense of a well-established and professional network of trade association suppliers. The BPIF supports the concept of Business Links but is concerned that a proposal made to the DTI in November to enter a partnership to assist the government in its Business Links objective appears to have been dismissed. At a meeting next week with Mr Richard Page, the DTI minister quoted in your report, we shall attempt to emphasise that trade association services already exist to support the aims of Business Links in the sixth largest manufacturing industry in the country, and it is wasteful to spend considerable sums publicising a fledgling alternative.

T.P.E. Machin,
director-general,
BPIF, 11 Bedford Row,
London WC1R 4DX, UK

A question for the chancellor

From Mr Humphrey Crum Ewing.

Sir, An obvious benefit from the combination of (1) British membership of the European Union with (2) a weak pound outside a strong European currency is surely that it will *attract* foreign investment in search of low cost production facilities within Europe.

Why, then, does the chancellor of the exchequer claim the opposite ("Clarke warns of investment loss if Emu rejected", March 29)?

A preference for *a priori* beliefs over logical analysis?

Humphrey Crum Ewing,
63 Baker Street,
Reading,
Berkshire,
RG1 7XY, UK

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FINANCIAL TIMES

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Thursday April 18 1996

A voice for stringency

The most important function of the International Monetary Fund is to be Jiminy Cricket to the governmental Pinocchios. Unfortunately, the noses of finance ministers grow no longer, whatever whoppers they tell. But this makes the IMF's Jiminy Cricket role more important. It does not need to be original. It must speak for the eternal verities of sound policy instead.

On at least two points, the latest World Economic Outlook has such things to tell governments. First, it lays stress not on conditions that may be filled in a particular year prior to the start of European economic and monetary union, but on what happens thereafter.

Without labour market flexibility, for example, the operation of the monetary union will come under substantial pressure whenever economic conditions diverge significantly among its members. That is why such flexibility is essential. In addition, as the WEO argues, "the success of the monetary union may well hinge on the ability of governments to make binding commitments to appropriate mechanisms for fiscal discipline beyond the test year of 1997." More precisely, Emu's success will hinge on combining long-run fiscal restraint with short-term flexibility.

These warnings are important because Emu's success will depend on how it works rather than on how it starts. The same long-run perspective is embodied in the IMF's second warning, this time about the build-up of public debt in industrial countries.

According to the OECD, the ratio of net public debt to gross domestic product in the US rose from 23 per cent in 1980 to 52 per cent in 1995. Bad as this is, the increase was still greater in Europe, where the ratio rose from 21 per cent to 55 per cent. Strikingly, the French debt burden went from *minus* 3 per cent in 1980 to 35 per cent in 1995 and the German from 12 per cent to 49 per cent. France and Germany also have unfunded pension liabilities in excess of their national incomes.

The only certainty about such debt accumulations is that they cannot go on forever. This is the justification for the Maastricht treaty's requirement that the deficits of general government not exceed 3 per cent of GDP. If that were achieved, European public debt burdens would also be stabilised roughly at present levels. In fact, however, the combined fiscal deficits of the European industrial countries have exceeded 3 per cent of GDP in every year, bar one, since 1980.

Because indebtedness is growing so slowly, it is easy to ignore. Yet because of this very slowness, it is possible to make policy changes – such as higher retirement ages – that would come into effect fairly imperceptibly. The trick is to start on the path of virtue now and so avoid going over a cliff later on. That is why governments should listen to the IMF, just as Pinocchio should have listened to Jiminy Cricket.

Short circuits

The announcement that Southern Company, the US electricity company, is considering offering to merge with National Power fuels the controversy raging over the regulation of Britain's utilities. The fact that Southern is American makes headlines because it raises the possibility that control of Britain's biggest generator might pass into foreign hands.

But this consideration is irrelevant. The real issue is that Southern already owns South Western Electricity, the distribution company. This would further increase the industry's vertical integration.

Such a union of generation with the monopoly business of regional distribution would be unacceptable. Unless the government clamps down on such mergers there is every risk of creating an industry dominated by a few generation-distribution groups. It could also undermine competition in generation and supply which the government tried to create through privatisation.

The government's stated policy of encouraging competition in generation and supply of electricity has already been undermined by the decision last year to allow Scottish Power, the Scottish generator, to buy Manweb, the northern English distribution company. The prospects for a competitive market would be further darkened if the government now allowed two more bids by generators for distribution companies – the offers from National Power and PowerGen for Southern Electric and Midlands Electricity, respectively. Unfortunately, if leaked reports are correct, the Monopolies and Mergers Commission has recently recommended to Mr Ian Lang, the trade and industry secretary, that these takeovers should be allowed.

It is suggested that the reason the government might permit these mergers is to help create national champions, to do battle in international markets. But consolidation is hardly the best way to promote internationally competitive companies. It is far more probable that companies operating in a competitive environment at home are most likely to do best overseas. Moreover, even if one accepts that a certain critical mass is necessary in such a large-scale industry as electricity, then leading UK companies already have it. Both National Power and PowerGen are active abroad.

Southern Company is waiting to see how ministers respond. Fortunately, it is not too late for Mr Lang to block the National Power and PowerGen bids. He should do so quickly to end uncertainty and restate the government's commitment to a competitive power industry. He should also declare that foreign companies are as welcome to invest in electricity as in the rest of the economy. And that they will face the same competition rules as domestic groups – no more and no less.

Whitelisting

Last year Mr Andrew Lansley, former director of research at Conservative Central Office and now a Conservative parliamentary candidate, was quoted as saying that "immigration, an issue which we raised successfully in 1992 and in the 1994 Euro-elections campaign, played particularly well in the tabloids and still has the potential to hurt". The result of the 1992 campaign was the 1993 Asylum and Immigration Appeals Act, which established a "fast track" appeals procedure for "manifestly unfounded" asylum applications.

In practice this has done little to reduce the time taken to process appeals, but it has mysteriously brought about a sharp drop in the proportion of asylum seekers granted refugee status or given "exceptional leave to remain". It seems that immigration officials and tribunals increasingly treat all applicants as "bogus" unless they can prove otherwise well beyond reasonable doubt.

Now the government seeks to repeat the trick with its Asylum and Immigration Bill, which has now reached the House of Lords. This will extend the "fast track" procedure to new categories of applicants, notably those from countries on a "white list" designated by the home secretary. The list he has so far announced includes India and Pakistan – both countries with a considerable track record of arbitrary detention and ill-treatment. Even if Nigeria is not one of those he intends to add after the bill's passage (as persistent rumours suggest) it seems wrong to afford the executive such broad discretion, especially given the inevitable diplomatic pressures that will make it reluctant to remove countries from the white list once they are on it.

Even more worrying is the provision that asylum seekers can in future be returned to so-called "safe third countries" on first refusal of their application, before any appeal has been heard. This is contrary to natural justice, since it prejudges the outcome of the appeal. (If the country is in fact *unsafe*, for instance because it is likely to deport the applicant to his/her country of origin, the appeal becomes meaningless.)

Other clauses are equally objectionable, notably the one that makes it a criminal offence to employ an "immigrant" who is not legally entitled to work in the UK. As an independent panel chaired by Sir Iain Glidewell, a recently retired Lord Justice of Appeal, reported this week, this clause may "have a serious effect on the employment opportunities of people from the black and minority ethnic communities".

Seldom can the second chamber have had a better opportunity to demonstrate its utility. This piece of legislation is illiberal, unjust and unnecessary. It bears all the hallmarks of a cheap electoral gimmick, undertaken by a government groping *in extremis* for ways of ensuring its re-election.

The long wait for political power

José María Aznar is being made to sweat as he tries to form a Spanish government, but investors are calm, says **David White**

José María A
prime minister-

Normal Spanish politics will be resumed as soon as possible. More than six weeks after the general election there is still no government in Madrid. Mr José María Aznar, officially named prime minister-designate last Friday, is still negotiating to reinforce his centre-right Popular party's inadequate lead in parliament.

He has reached the stage of being asked to form a government – without yet being able to – and hopes to win the support of parliament in the required inaugural vote around the end of the month. The bargaining between the Popular party and Catalan nationalists, whose support Mr Aznar cannot do without, has come to a head.

If no deal emerges soon, his insistence that "nothing abnormal" is happening will start sounding hollow. An interregnum of several weeks between one government and the next is routine under Spain's constitution, but in almost 20 years of democracy the entr'acte has never been so prolonged.

On the other hand, a remarkable change has taken place in the political climate. "The sweetness of being without a government can be addictive," remarked a commentator in the daily El País.

In place of the bitter recriminations that marked the election campaign, all is now courtesies. Mr Jordi Pujol, the Catalan leader, complained last year that Spanish politics were veering towards "cannibalism". But now he is the object of assiduous attentions. Mr Aznar, an archetypically austere Castilian whose party has strongly criticised Catalonia's language promotion policies, declared that he really considered Catalan to be a "perfect" language form, and that he himself read, understood and even – in private – sometimes spoke it.

Nobody rocks the boat. Mr Felipe González, the departing Socialist prime minister, who at one point of the election campaign used the Spanish civil war slogan "They shall not pass!", now politely encourages Mr Aznar to go ahead and govern. The corruption allegations against his government have suddenly subsided.

It is an eerie lull after a storm. Investors, who panicked over the inconclusive election result, have decided things are not so bad. The markets confidently expect a Popular party government and a reinforced commitment to the difficult goals of European monetary union. After the post-election upset, stock prices are near an all-time high. The peseta has been relatively strong, higher now against the D-Mark than before it was devalued a year ago. Inflation is at its lowest since democracy was restored, and the independent central bank has been confident enough to cut official interest rates by a full point since the election.

The two most relaxed political leaders these days are Mr González and Mr Pujol – an odd outcome, since both lost the elections. Mr González, still governing in a caretaker capacity, was beaten after almost 14 years in office. But his relief at the narrowness of the Socialist defeat is patent; reinvigorated, he now reckons he was wrong ever to think of not standing for re-election. The veteran Mr Pujol, while firmly in control of Catalonia's regional government, saw his party soundly beaten on its home ground by the local Socialists; but now he is calling the shots in Madrid.

The uncomfortable position is Mr Aznar's. Even with backing from Canary Island deputies, his party needs another 16 seats for a majority – just the number Mr Pujol's Convergència i Unió party has. Everything points to Convergència – and probably the Basque Nationalist party too, with five seats – coming to an agreement with Mr Aznar. But they want to make him sweat and grovel first.

Neither could afford to rush with indecent haste into the Popular party's arms. Until recently, they were both lending support for a minority Socialist administration. Their grass-roots members show strong antipathy towards the Popular party, widely associating it with the anti-Catalan and anti-Basque attitudes of the Franco regime.

Mr Pujol can bring about fresh general elections if he turns the Popular party down, and says he is willing to do so if necessary. But this is pure brinkmanship. Nobody wants another election; forcing one would risk incurring voters' disapproval, as well as jeopardising the preparation of a 1997 budget and any hopes Spain might have of meeting the targets for joining the European single currency.

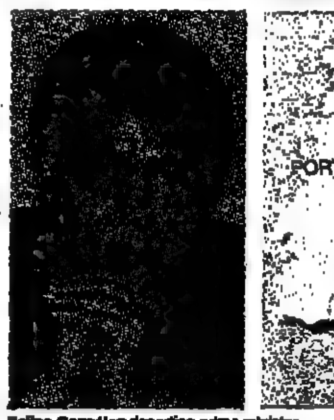
Realistically, the present parliament allows for no government except one led by the Popular party. Another parliament might not give Mr Pujol the same chance of influence. He can hardly spurn the opportunity. There is, moreover, much common ground for Mr Pujol's business-oriented party and the Popular party on economic and European policies.

The main argument is about how much money Catalonia's government has for running decentralised services. But Mr Pujol wants to settle this in a way that enables the central government to keep to its plans for reducing the overall public deficit. To meet monetary union criteria, the deficit needs to be virtually halved next year from last year's 5.8 per cent of Spain's gross domestic product.

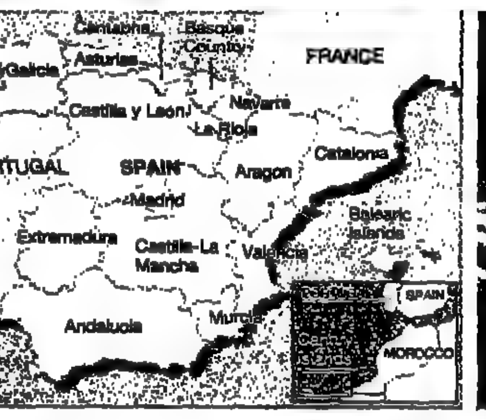
An Aznar government would take early steps in this direction, with cuts in spending plans for this year. Assuming a deal is struck with the Catalans in the next few days, their support will be enough to carry through the 1997 budget – in effect giving the government a clear passage to the end of next year.

But the Spanish regional parties are reluctant to commit themselves to a formal coalition. The calculation in the Socialist camp is that elections could return to the agenda in 1998 – by the choice of either Mr Aznar, seeking a more solid mandate, or Mr Pujol's party, preparing to defend its own regional election the following year.

By this reckoning, Mr Aznar, after his delayed start, can look forward to two years of reasonably secure government. To succeed in that time both in cleaning up Spain's national accounts and in keeping an electoral lead would be quite a feat.



Felipe González departing prime minister



Jordi Pujol Catalan leader

Back on the political map

All of a sudden, Spanish newspapers have been running laymen's guides to Catalonia and essential Catalan vocabulary. It is as if the rest of the country has just discovered, or remembered, the existence of Spain's most productive region.

Parties from Catalonia and other regions, ranging from moderate to secessionist, have only 32 of the 350 seats in Spain's congress. But the absence of a majority for either of the main parties means they find themselves with a pivotal role in the formation of a new government.

Regional questions were forced under the carpet during four decades of Francoism by suppressing local nationalist movements and indigenous languages other than Spanish. But the movements bounced back after the restoration of democracy.

In an attempt to accommodate Catalan and Basque ambitions for greater political autonomy, a federal structure of 17 regions was created between 1979 and 1983. Some are artificial inventions – such as the Madrid region, or Murcia, a province left on its own when other south-eastern provinces were attached to neighbouring regions. Others such as the Basque country and Catalonia have some historical basis, rooted in a strong sense of local identity.

Because of this, the responsibilities devolved to regions vary considerably. A fast-track group of seven has a wide range of powers in important areas such as health.

These include the Basque country and Navarre, which, in recognition of ancient privileges, collect taxes and pay part to Madrid. Basques and Catalans have their own, distinctly attired police forces. Four regions are entitled to decide when to hold elections for their parliaments; the others hold their elections on a regular four-year cycle.

Regional institutions in southern Spain do not have the same stature as in Catalonia or the Basque country, where home-rule governments existed in the 1930s before General Franco came to power. But the newfangled governments have gained momentum since they were created, and the regional presidents have become heavyweight figures.

Of these presidents, 10 now come from the conservative Popular party, which is having to adapt to a semi-federal structure it did not design. The party has set itself the task of bringing financial discipline to the regions and making them answerable to taxpayers.

Regional governments account for a quarter of public spending and one in four civil service jobs. Since they were set up, public-sector employment has risen from 1.5m to more than 2m. They have also been amassing debts – some $32bn at the end of last year.

The problem with trying to impose better order and settle definitive arrangements is that there are rivalries between the regions.

Catalonia argues that the deal has worked out badly since it gets less per head than others. But poor regions such as Extremadura or Galicia do not see why richer areas should get special concessions.

And, while some regional leaders would like to see a permanent structure, the powerful Catalan and Basque parties view devolution as an ongoing and open-ended process. One thing is certain: whatever deal the Popular party may reach now with the Catalans, it will not put the issue to rest.

· OBSERVER ·

Seshan and the bullrushes

■ More than 1,000 of India's top industrialists sat spell-bound yesterday, listening to a speech that hit all the issues – employment, education, poverty, corruption. At one point, the whole Delhi business conference rose to its feet, crying "Indian democracy" amid ringing applause. For a moment, India's boring election campaign came alive.

Trouble is, the speaker – TN Seshan, India's chief election commissioner – was the very chap politicians blame for turning the campaign into such a damp squib. Seshan has been very tough on pre-poll political spending, cramping everyone's style – except his own.

Maybe it was all just a clever plot by India's most controversial bureaucrat to make a late bid for the premiership? Seshan, 64, is admired by some and dismissed as overweeningly arrogant by others. Orator, author, self-appointed moral guardian, and part-time astrologer, it still isn't clear if he has a hidden agenda. One businessman asked him outright: "Would you consider standing for election?"

Seshan unblushingly replied: "Don't put me at the front, I'm not Jesus, I'm only Moses". His task, he said, had been to wake the corrupt, complacent political life of India from its slumber.

We'll take that as a no. But, asked another from the audience, would Seshan don his astrological cap and risk a forecast about the elections? "I will only give a prediction commensurate with my remuneration for it," he said. "Anyway, recently I have given up astrology. I'm now on the Internet".

Let's play ball

■ It's one of the little traditions of US-Japan summits that the Japanese prime minister offers the US president a gift – usually a trade concession.

Plenty of politeness, even warmth, was in evidence as Bill Clinton and Ryutaro Hashimoto shook hands in the sun yesterday and pledged to strengthen their security alliance. The leaders of the world's first and second economies were in a cordial mood but – as might be expected with the doughty Hashimoto in charge – there were no trade concessions.

Still, the obligatory gift was not forgotten – simply handed over the previous evening at an informal dinner. Clinton was given a baseball glove – a little tightly cut for his meaty fist – and ball from Hideo Nomo, the brilliant Japanese pitcher who has shot to mega-star status playing for the Los Angeles Dodgers.

Clinton was asked whether he would show the Nomo gift to Mickey Kantor, the new commerce secretary, who is an avid Dodgers fan – and a veteran of heated trade negotiations with Hashimoto. The president declined on the grounds that Kantor would probably keep them. He's not the first to conclude that gifts from Japanese prime ministers need guarding carefully.

News digest

■ Haunted by the memory, meanwhile, of the last time a US president sat down to a state banquet in his honour in Tokyo, Japanese officials were taking no chances last night.

Everyone remembers George Bush's ill-fated summit in January 1992 for the unfortunate moment when, suffering a bout of what was diplomatically called "influenza", he slumped sidewards and threw up into the lap of his host, the then Japanese prime minister, Kiichi Miyazawa.

His discomfiture might have been eased if the moment had not, by chance, been captured on the small screen. A Japanese TV crew covering the banquet had, in the usual way, been ushered out following the toast. But they had inadvertently left their camera rolling…

Bill Clinton, however, was able to tuck into his supper last night safe in the knowledge that, should his gastric system rebel at raw fish, the event would not be shared by a billion viewers. Cameras were to be turned off, and pointed away from the tables. Just in case.

Calling the deity

■ Leading western shareholders in the European Bank for Reconstruction and Development want to see the bank start thinking about working itself out of a job. Indeed, Jürgen Stark, German Finance Ministry state secretary, said the bank's philosophy should be that "the best job it can do in a country is to make itself superfluous."

Not that they feel the same about 66-year-old Jacques de Larosière. Governments fell over each other in their eagerness to heap plaudits on the bank's president, grateful for his having rescued it from its disastrous early years under Jacques Attali.

De Larosière's first four-year term expires in 17 months; Lamberto Dini, Italian prime minister and outgoing chairman of the board of governors, says a second term for the former IMF managing director would "certainly have my support, Italy's support, as well as that of many other member countries."

When asked for his view about his future, De Larosière was in metaphysical mood. The decision depended on at least three factors, he said: "God, namely my existence on this planet, the shareholders, and my own view of the matter."

Hello God?

The Financial Times

100 years ago

The Matabele rising

Alarmist rumours are becoming the fashion in regard to the Matebele rising, and last night it was actually reported that Bulawayo had been attacked and taken by the natives. We advise our readers not to lend too credulous an ear to all the stories that are being circulated. We need only say that we have before us a private cablegram, dated from Bulawayo on Thursday afternoon, which says:- "Outgoing mail destroyed en route. Town in laager. Citizens armed." Bulawayo was, therefore, safe on Thursday afternoon, and if the Matabele are holding the country so securely, how is it that cables are coming through. At the same time, it is evident that the situation is sufficiently serious without clap-trap exaggeration.

50 years ago

Wild trading at Jo'burg

Extraordinary scenes were witnessed yesterday morning when market operators surged on the floor to execute orders. In corridors and brokers' offices the public thronged in excitement as prices of leading Free State shares came through on the tickers. Activity was maintained to the close, which was very firm.

FINANCIAL TIMES

Thursday April 18 1996

EU farm chief seeks to calm beef crisis tensions

By Caroline Southey in Strasbourg, Neil Buckley in Brussels and Robert Peston in London

Mr Franz Fischler, the European Union commissioner for agriculture, yesterday sought to calm tensions between Britain and continental Europe over the beef crisis, impressing on Euro-MPs in Strasbourg that any solution to the collapse in the beef market had to involve all EU countries.

However in London, an initiative was launched by some British government ministers to mount a vigorous anti-European campaign pinned to the beef crisis.

The ministers, from both the Eurosceptic and moderate pro-Europe wings of the ruling Conservative party, saw such a campaign as the best way of uniting the Tory party in the wake of an embarrassing by-election defeat last week.

The proposal will be discussed today at a ministerial meeting called to address the BSE issue, which will be chaired by Mr Tony Newton, leader of the House of Commons.

In Strasbourg, Mr Fischler was warned by some British MEPs that differences over how best to eliminate mad cow disease risked degenerating into a pitched battle between Britain and its EU partners.

Lord Plumb, leader of the British Conservative group of MEPs, said there was no "stand-off" between the UK and other EU states. "Nobody is suggesting this is not a European problem. Everybody recognises it has to be solved on an EU-wide basis."

Mr Ben Gill, deputy president of the UK National Farmers' Union, sought to reassure MEPs that steps announced by the British government on Tuesday to deal with the crisis should go a long way towards allaying public fears about the safety of beef.

In Brussels, it was announced Mr Jacques Santer, president of the European Commission, had agreed to a request from Mr John Major, the British prime minister, to discuss the crisis in the margins of the nuclear weapons summit in Moscow this weekend.

Mr Fischler is due to meet Mr Douglas Hogg, the British agriculture minister, in Brussels next Wednesday when they are expected to discuss plans for a selective slaughter of British cattle. A programme is considered essential if consumer confidence in beef is to be restored.

Meanwhile, Britain's threat on Tuesday to take legal action against the EU-imposed ban on its beef exports had little impact on its European partners.

Mr Lamberto Dini, the Italian prime minister, shrugged off the threatened legal challenge, saying the ban should only be lifted when scientific evidence showed that beef was safe.

Mr Philippe Vasseur, French agriculture minster, said that "in the current state of affairs there is no question of the ban being lifted".

Lebanon accuses Israel of ruining reconstruction effort

By David Gardner in Beirut

Lebanon yesterday said Israel's week-old aerial and artillery bombardment amounted to an economic war aimed at ruining efforts to rebuild the country after the destruction of the 1975-90 civil war and the 1982 Israeli invasion.

"This is a deliberate attempt to destroy confidence in the Lebanese economy and its reconstruction," said Mr Nasser Saidi, deputy governor of Lebanon's central bank. "Israel's aim is to prevent Lebanon emerging as a regional financial and commercial power."

Mr Saidi echoed a demand by Mr Rafiq al-Hariri, prime minister, that Israel compensate Lebanon for the damage inflicted on its infrastructure, already estimated to cost $200m.

In the course of the onslaught Israel says is directed against the Shia Moslem Hizbollah militia fighting its occupation of south Lebanon, Israeli jets have destroyed two of Beirut's main electricity distribution centres, causing blackouts in the capital.

Under Mr Hariri, Lebanon's aim is to emerge again as the Middle East financial centre it was until sectarian warfare engulfed the country in 1975.

The $3bn Solidere private company is rebuilding the devastated commercial area of Beirut and the $32bn Horizon 2000 plans to replace the country's shattered infrastructure. Through these, Lebanon wants to become again the services entrepot for a region reshaped by peace, and in particular a sophisticated capital market channelling funds into the Middle East.

Lebanon has suffered four big assaults by Israel since 1978, but its chances of peace with the Jewish state depend on progress in stalled peace negotiations between Israel and Syria, which dominate Lebanon through the presence of 35,000 troops. The Beirut government regards Israeli compliance with United Nations Security Council Resolution 425 of 1978 – requiring Israel to withdraw from all Lebanese territory – as the indispensable prelude to any peace overtures.

Mr Saidi said the costs of the latest conflict are escalating, with 400,000 refugees fleeing from the Israeli blitz on south Lebanon, "the poorest areas of Lebanon, which have long suffered the lack of infrastructure, health, education, water – you name it."

Already electricity supplies to Beirut have fallen back to between four and six hours a day, the government says, after having been rebuilt to a 24 hours supply in January for the first time in nearly 20 years, partly through imports from Syria.

Mr Saidi said "I think people outside Lebanon shouldn't be surprised if they see more rather than less extremism emerging" as a result of the Israeli bombardments.

Israelis demand formal truce with Hizbollah, Page 4

Japan links

Continued from Page 1

Japan should allow its soldiers to fight alongside allies abroad.

Yesterday's accord confirms Japan is to offer, for the first time, supplies and logistical help to US forces in joint peacetime training or on UN peacekeeping anywhere in the world.

It calls for more exchanges of technology and equipment and more joint research and development of equipment, such as the F-2, Japan's new jet fighter. The agreement commits them to work more closely on missile defence.

Southern eyes merger

Continued from Page 1

alternative could also be offered to National Power shareholders, funded by an £8bn loan facility the US group has lined up with a consortium of banks.

Although there are US regulatory limits on how much money Southern Company can invest abroad, the group has recently secured an increase in these limits, allowing it to forge a deal with National Power.

Southern Company has been working on a possible merger with National Power for seven months. It had hoped to conceal its interest until after the government ruled on the generator's bid for Southern Electric, but feverish speculation in the stock market about a bid for National Power forced yesterday's announcement.

News of the US group's interest in the generator sparked political controversy. Mr John Battle, Labour opposition's energy spokesman, said:
"We are worried that the structure of such a large group would take it further out of range of the regulator."

Indian poll chief attacks corruption in politics

By Mark Nicholson in New Delhi

An attack on corruption at all levels of Indian political and business life was launched yesterday by the country's chief election commissioner.

Mr T.N. Seshan, the senior official responsible for policing this month's poll, told a 1,000-strong audience of India's business and industrial elite that the national "character" had "descended to its nadir". "The three things which will hamper this election are crime, criminality and corruption," he added.

Mr Seshan's remarks have particular resonance following the recent scandal in which politicians from all main parties have been charged with taking bribes from a Delhi businessman.

"Corruption is directly proportional to the height of the chair occupied," he told a transfixed audience. "The higher you go in administration, the more can be the venality."

But he told the business audience, gathered for the annual conference of the Confederation of Indian Industries: "If elections have become corrupt in recent years, much of the responsibility for that lies in this room."

Alluding to the fact that Indian politicians and parties rely for funds on undeclared payments from business, he said: "For God's sake, convert this country's elections into clean elections. If you do not give, people cannot take."

Mr Seshan's remarks will only burnish his image as India's most outspoken bureaucrat and self-appointed censor of public morality. He is widely felt to have done more than any predecessor to curb some of the more rampant excesses which had become part of electioneering.

Some politicians have blamed Mr Seshan's tight scrutiny of election spending limits for having created an unusually subdued campaign before the poll begins in nine days' time.

His speech wrapped up a two-day meeting in which the leaders of India's main political parties set out their economic policies. It also revealed a shared view among opposition groupings that some limits should be placed on foreign and "multinational" investment into India, particularly in consumer goods.

Mr A.B. Vajpayee, leader of the Hindu nationalist Bharatiya Janata party, the chief proponent of self-reliance said the party was neither "anti-reformist" nor "anti-free market" and was not for a "total and absolute rejection of foreign investment".

But he said there should be a "prioritisation" of permitted foreign flows into high technology and infrastructure, although not into consumer goods or areas dominated by India's already protected small-scale industries.

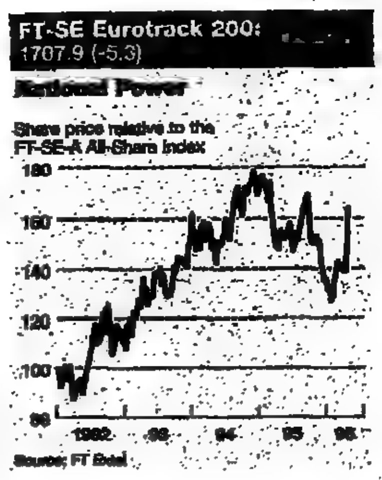
THE LEX COLUMN

Southern discomfort

Both Britain's generators must be spitting blood. Until yesterday it seemed virtually certain that their bids for regional electricity companies (recs) would be waved through by the government. Now, Southern Company has raised the stakes; ministers are more likely to think twice about allowing the bids now this could mean Britain's biggest generator being based in Atlanta, Georgia. The odds are still on the bids going through, but a fit of Little Englander protectionism cannot be ruled out. Still, that would be the right decision for the wrong reason. At the very least, Southern's approach underlines the vacuity of the Monopolies and Mergers Commission's "national champions" argument.

But paradoxically, the real victims of a Southern bid could be its own shareholders. For all the airy talk of creating a new global group, it is far from obvious that merging Southern with National Power would create any value at all. On the contrary, it could well destroy it. The reason is that Southern already owns a rec – South Western Electricity. And merging that much smaller rec with National Power makes much less sense than National Power's planned bid for a much bigger rec – Southern's namesake, Southern Electric of the UK. Dropping the Southern Electric bid would almost certainly be the price of a Southern-National Power merger; to persist with it – at least in the short term – would carry too high a risk of the deal getting bogged down at the MMC.

This is one good reason why Southern is unlikely to pick up National Power unless it is willing to pay a conspicuously high price; Southern will have to offer enough to compensate for the loss of the Southern Electric deal. And that is not all; given its bloated balance sheet National Power could comfortably afford to pay out a fat special dividend on top. Southern might be able to outbid all that, but it would almost certainly be substantially overpaying.



US airlines

The first crop of US airline results confirms last year's rebound in profits. Price competition has eased, passenger volume is holding up and airlines have so far resisted the urge to buy aircraft. The worry is that this more comfortable state of affairs has made it harder than ever to persuade unions to accept cost cuts - USAir has still to address this problem. And the long-term trend is still for airline passenger yields to fall.

But yesterday's announcement by AMR, the parent of American Airlines, that it is to restructure its Sabre computer reservation system as a separate subsidiary prior to a possible spin-off could be good news for investors. Saddling Sabre with some of the airline's debts and floating some or all of it would raise a hefty war chest. This is likely to fuel renewed speculation about consolidation within the industry. The industrial logic is impeccable; the main block has been the importance of national carrier status to most airlines. However, this does not apply within the US market. And American's failure to find a European partner has left it vulnerable. Buying a European airline - the most obvious solution - might prove too politically awkward, but a US airline with a European partnership could be just the ticket.

SAP

SAP has come from nowhere so fast – in the past three years sales have tripled while profits and the share price have more than quadrupled – that investors half-expect the German software group to disappear again. Over the past six months the stock has underperformed the Frankfurt market by a third due to fears that its main software product could rapidly become obsolete.

But SAP does not look as if it is about to implode. Yesterday's first-quarter results gave analysts a chance to tone down their forecasts, but they still expect earnings growth of 45 per cent this year. SAP depends heavily on one product; its R/3 server software accounts for nearly two thirds of turnover. But this is a market that is expected to grow at 30 per cent a year for the foreseeable future. And SAP dominates the segment for personnel, logistics and financial management programmes. It signs long-term contracts with existing clients and is still expanding geographically and into new industries in Germany, where it is developing applications for retailers and construction companies. SAP's clout – it is twice the size of its next three competitors put together – also gives it economies of scale. The group is planning to spend DM3bn on research and development over the next three years. Even so, margins should rise during 1996 following a big rise in service costs last year.

Despite the recent weakness in its share price, SAP remains highly rated at 34 times this year's earnings, falling to 18 times in 1998. But pure high-technology stocks in Europe are a rare commodity.

L'Oréal

While branded consumer goods businesses from Nestlé to Guinness have seen their business scarred by the recession, French cosmetics giant L'Oréal continues to deliver double digit growth. And it has been rewarded with a 300 per cent out-performance of the CAC-40 index since 1990. However, investors do not seem to have reflected upon the less buoyant prospects for the group.

L'Oréal's earnings should expand at around 10 per cent a year, representing an enviable performance from the management – but it is significantly below the 15 to 16 per cent growth rate of recent years. Sales growth at the luxury end of the cosmetics market is slowing, while competition is hotting up. Unilever and Procter & Gamble have increased the marketing stakes for product launches, while the flotations of Revlon and Estée Lauder leave them better capitalised to fight back. At least L'Oréal's purchase of Maybelline gives it greater clout in the faster growing mass market, as well as the opportunity to improve its profit margins. However, L'Oréal is also having to fund a belated push into emerging markets, which currently account for only 10 per cent of sales and far less of profits. P&G is a long way in front in these more dynamic markets, and L'Oréal's push to catch up will come at the expense of short-term profits growth.

On 1997 forecasts, the shares are trading on a 60 per cent premium to the French market, on the basis of price-earnings ratios. Of course, it has always commanded a dramatic premium, but then it used to have growth prospects to match.

Additional Lex comment on Smiths Industries, Page 22

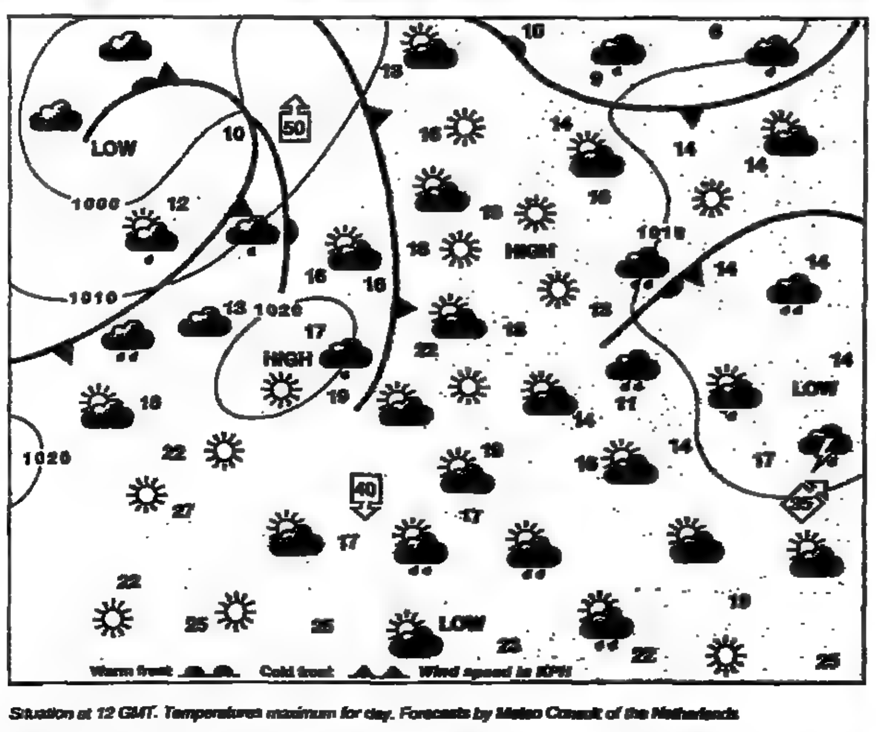
FT WEATHER GUIDE

Europe today

A south-westerly wind will draw humid air to the region, and most areas will be cloudy with some rain. The Benelux and France will be dry, although the French Alps will remain cloudy with rain. Germany will have showers, while eastern Europe will be sunny with temperatures reaching 20C. The Iberian peninsula will be dry and sunny, with some cloud on the north coast. Italy will be sunny. Sicily, Turkey, the Balkans and Ukraine will be wet, while a wide area from southern Sweden across Poland to Belarus will be warm and sunny.

Five-day forecast

A high over the western Mediterranean will slowly move to the Balkans and Greece during the weekend. Spain, Italy and central Europe will be dry and sunny, and by Monday temperatures in central Europe will reach 25C. Spain will be cloudy and wet over the weekend, with rain gradually moving into France. A wide area from Italy to Hungary, Poland and Belarus will be dry. The Black Sea area will also be dry and warm.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

Maximum Celsius																	
			Beijing	sun	19	Caracas	fair	30	Faro	sun	23	Madrid	fair	23	Rangoon	fair	34
			Belfast	rain	12	Cardiff	rain	13	Frankfurt	cloudy	18	Majorca	fair	18	Reykjavik	cloudy	6
Abu Dhabi	fair	30	Belgrade	cloudy	17	Casablanca	sun	20	Geneva	shower	16	Malta	shower	18	Rio	cloudy	26
Accra	cloudy	32	Berlin	sun	20	Chicago	shower	19	Gibraltar	fair	21	Manchester	rain	14	Rome	fair	16
Algiers	fair	18	Bermuda	shower	20	Cologne	cloudy	17	Glasgow	rain	11	Manila	cloudy	32	S. Frsco	fair	18
Amsterdam	sun	15	Bogota	cloudy	19	Dakar	sun	25	Hamburg	fair	17	Melbourne	rain	15	Seoul	fair	13
Athens	fair	17	Bombay	sun	32	Dallas	sun	29	Helsinki	cloudy	9	Mexico City	sun	24	Singapore	shower	31
Atlanta	fair	27	Brussels	fair	15	Delhi	sun	38	Hong Kong	rain	27	Miami	sun	26	Stockholm	sun	16
B. Aires	sun	17	Budapest	fair	18	Dubai	fair	30	Honolulu	fair	30	Milan	fair	20	Strasbourg	cloudy	17
B.ham	cloudy	14	C.hagen	fair	14	Dublin	rain	13	Istanbul	shower	11	Montreal	cloudy	13	Sydney	sun	20
Bangkok	fair	38	Cairo	sun	25	Dubrovnik	fair	15	Jakarta	cloudy	32	Moscow	cloudy	10	Tangier	sun	22
Barcelona	fair	19	Cape Town	drzzl	18	Edinburgh	rain	12	Jersey	shower	14	Munich	fair	17	Tel Aviv	cloudy	23
									Karachi	fair	36	Nairobi	cloudy	27	Tokyo	fair	13
									Kuwait	fair	30	Naples	fair	19	Toronto	cloudy	16
									L. Angeles	sun	19	Nassau	sun	27	Vancouver	rain	13
									Las Palmas	fair	22	New York	fair	19	Venice	sun	18
									Lima	fair	24	Nice	fair	19	Vienna	sun	17
									Lisbon	fair	21	Nicosia	shower	20	Warsaw	sun	16
									London	cloudy	15	Oslo	fair	13	Washington	fair	24
									Lux.bourg	cloudy	15	Paris	fair	16	Wellington	fair	17
									Lyon	shower	17	Perth	shower	27	Winnipeg	rain	6
									Madeira	fair	20	Prague	sun	19	Zurich	cloudy	15

هكذا من الأصل

REGIONS OF FRANCE: Rhône-Alpes and Auvergne

Attention starts to focus on issues about power-sharing

The real debate on decentralisation relates to how better to organise elections, taxing powers and administration at the different levels, writes Andrew Jack

When French politicians, policy makers and academics met in Lille in February this year for the first of a series of high-level discussions on the decentralisation of power from the national capital in Paris, they could not have chosen a more appropriate city.

Mr Pierre Mauroy, the socialist mayor of Lille, was prime minister of France in 1982 when – less than a year after the election of President François Mitterrand – the government passed radical legislation to shift control away from the centre and into the regions.

The fact that Mr Mauroy held simultaneously both a national and a local political position of such importance says something significant about the strong and rather ambiguous links that continue to exist between Paris and the rest of France.

The choice of the location for the conference was no doubt a sore point further south, however, given that the country's second-largest city, Lyon, is still smarting from the decision late last year to support the rival candidature of Lille for the French bid for the Olympic Games in 2004.

According to a number of critics, that defeat in itself reflected the tensions between Mr Charles Millon, president of the regional council of Rhône-Alpes, and Mr Michel Noir, the former mayor of Lyon, who dissociated himself entirely from the project.

The incident highlights the intensifying competition not only between Paris and the regions, but between the different local levels of administration around the country. It is a conflict that is particularly evident and relevant as France goes through a renewed round of economic pessimism.

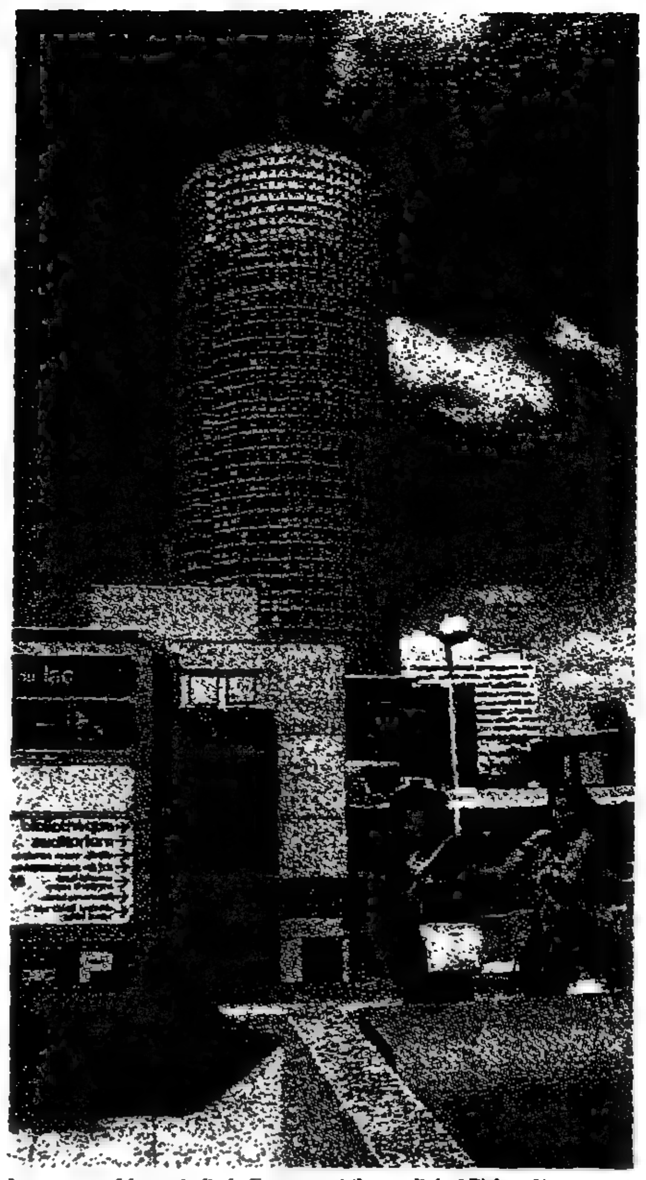
So it is no surprise that towns, departments and regions across the country are all making their own competing and contradictory pitches – whether it be for priority in the construction of new infrastructure such as airports, autoroutes and high-speed rail links; or for attracting foreign investors, when each locality claims to be "at the heart of Europe".

The debate about decentralisation has direct repercussions for business. It is no surprise that among its most vocal advocates is Mr Pierre Richard, chairman of Crédit Local de France, a quoted bank specialising in funding for local authorities and the public sector.

Mr Dominique Nouvellet, chairman of Siparex, a capital development fund based in Lyon, laments the drifting of many corporate headquarters from the city to Paris, where he says that a centralisation of decision-making tends to have a detrimental effect on businesses based elsewhere in the country.

There is, however, the notable exception of tyre manufacturer Michelin, one of France's great success stories, which has kept its headquarters firmly rooted in Clermont-Ferrand, the capital of the Auvergne, and exerted a powerful influence on the development of the city and the region.

Old quarter of Montferrand, Clermont-Ferrand — Picture: Ray Roberts



Lyon: second-largest city in France and the capital of Rhône-Alpes

The phenomenon of the centralisation of power in France is nothing new. The historian and political analyst de Tocqueville argued that it went back at least as far as the court of Louis XIV, when the country's regional elites went to the court at Versailles to act as royal attendants. His minister Colbert created the first state budget and dispensed funds for development.

After the Revolution, with popular democratic support, the trend towards "nationalisation" continued, with many of the local variations in taxes, laws and special privileges being swept away.

It was a pattern which intensified under Napoleon who created an ordered, hierarchical administration to ensure his authority and that of the state. Much of his legacy remains today, with the system of prefects across the country based in the regions but responsible to Paris.

As a result, Mr Jean-Marc Ohnet, joint director-general of the Institute of Decentralisation, an all-party research organisation ironically based in the suburbs of Paris, says that the laws passed in 1982 brought about the most important reform since the 19th century.

Their effect was two-fold. First, the authority of the prefects was much reduced, with their *a priori* scrutiny of any decisions taken by local elected officials before they could be enacted replaced by a more modest *a postiori* examination after the event, to see whether the actions would be illegal.

Second, the executive power and resources of the prefect were also to a large measure handed over to local politicians: the commune for town planning, the department for social aid and the maintenance of schools, and the region for training and development, for example.

Mr Ohnet claims that "most non-partisans" argue the process of decentralisation has been a success. Local authorities have been given considerably more financial clout, political strength and autonomy. "They have played a decisive role in revitalisation, and in dynamisation," he says.

Yet he adds that in some ways the 1982 legislation did not represent a radical break with the past so much as "a reorganisation of the centralisation" which existed before. An example is the "cumulation of mandates", by which French politicians can hold posts at local, regional, national and even European level at once, even though their ability to do each job effectively is open to question.

Mr Alain Juppé, for example, managed to be elected mayor of Bordeaux after he was appointed prime minister last year, not to mention his post as head of the RPR centre-right ruling party. Clearly the local residents believed his power and influence was a trade-off worth taking against his limited time for their city.

Decentralisation has also brought other problems. "It has created too many levels of decision-making," says Mr Ohnet. Metropolitan France has more elected officials than any other country in the world, with mayors for each of its 36,551 communes, as well as representatives for its 96 departments, 22 regions and the national assembly and senate seats in Paris.

At each level there are complex and inefficient local taxes, and different electoral systems, which can create a high degree of fragmentation acting as a bar to reform.

Others criticise decentralisation for the apparent mushrooming in corruption which emerged during the 1980s, as local officials apparently abused their new-found powers to peddle influence, award contracts in exchange for favours, and distribute public funds for their own purposes.

There are several instances in Rhône-Alpes alone, not least from Mr Noir, the former mayor of Lyon, and Mr Alain Carignon, the former mayor of Grenoble, both of whom were last year found guilty of corruption and pushed out of office despite their continuing legal appeals.

Yet Mr Ohnet argues that such "affaires" are blown out of proportion; that many existed before but have simply been more subject to media attention in the past decade; and that most related to party political funding rather than personal enrichment.

Certainly, the past few years have brought tighter scrutiny from regional public auditors, new laws designed to improve transparency and clarify the procedures for awarding public contracts, as well as a shift away from the 1980s' "easy money" culture.

The real debate on decentralisation at present relates to how better to organise elections, taxing powers and administration at the different existing levels, and how to bring about greater "inter-communality" or co-operation between intermediate areas of perhaps 100,000 inhabitants – a zone of several communes, large enough to cover the working, living and shopping patterns of most people.

It is these issues which will become increasingly important, and merit close attention over the coming months.

IN THIS SURVEY

Production editor: Philip Sanders

■ **Watch groups**

Strong brands dominate

A network of shareholdings and business links connects the great watchmakers

Some of the world's most famous and oldest watch brands are still owned by private companies. They include Audemars Piguet, Chopard, Corum, Girard-Perregaux, Patek Philippe, Raymond Weil, Ulysee Nardin, Vacheron Constantin and Zenith. The mighty Rolex enterprise, the biggest maker of them all, is still controlled by family trusts.

Eterna, which established its brand of pocket watches in 1876 but was founded in Grenchen in 1856, has just been acquired by Porsche. Eterna set up a production line in 1870 to turn out *ébauches* (incomplete movements ready for additions of escapements, mainsprings and timing systems). Later the facility became ETA, and is now one of the largest movement makers in the world, and is owned by Société Suisse de Microélectronique et d'Horlogérie SA (SMH).

SMH now controls the world's biggest group of watch brands, and such is the strength of the individual brands it can come as a surprise to find that they belong to the same owner. They include:

- Blancpain, a manufacturer of classic, mechanical wristwatches founded in 1735;
- Certina, whose name, adopted in 1948, is derived from the Latin for "reliable";
- Endura, which manufactures private label pieces;
- the children's brand Flik Flak;
- Hamilton, the maker of the world's first electric wristwatch. Established in Pennsylvania in 1892 it is being relaunched this month with a stress on its American origins;
- Longines, the oldest Swiss watch brand registered with the World Intellectual Property Organisation.

SMH's other brands are Mido, Omega, Pierre Balmain, Rado and Tissot.

The company's high-profile chairman, Mr Nicolas Hayek, inspired the creation of its biggest selling line, the Swatch, in response to the flood of inexpensive Japanese quartz watches which entered the world's markets in the 1970s. More than 180m Swatches have now been sold, and some of the earliest have become collectors' pieces. On sale in more than 70 countries around the world, Swatch will achieve global attention this summer – as the official timekeeper at the Olympic Games in Atlanta. Swatch buyers are attracted by the cachet of constantly updating their timepiece, and by the brand's youthful image.

The ETA division is the development centre for all new Swatch products. It has produced the Swatch Scuba, which features the new Loomi electroluminescent glow dial, and musical rhythms for the MusiCall watches. ETA SA Fabriques d'Ebauches is now a very large horological and

Nicolas Hayek: he pioneered the hugely-successful Swatch

microtechnical production complex. It has factories in 12 Swiss locations, three in France, and one each in Germany, Malaysia and Thailand.

For low-priced quartz movements, Hong Kong is the world's largest commercial centre, but ETA is maintaining its market share through its offices in the colony, where it faces strong local competition and fierce price cutting.

SMH also owns the long-established mechanical movement manufacturer, Frédéric Piguet, which supplies many of the most prestigious watch brands. It has produced the world's smallest automatic movement and is constantly extending its power reserve durations – a key selling point in automatics.

Drawing on its capabilities in the electronics and miniature propulsion systems fields Swatch has formed a joint venture with car maker Mercedes-Benz to produce what it refers to as the Micro Compact Car some time next year. The vehicle has already been dubbed the Swatchmobile and is intended to convey the Swatch message – high quality, low price, *joie de vivre*, challenge, original design, and constant innovation.

Les Manufactures Horlogères (LMH), another big watch business, is a subsidiary of the German conglomerate Mannesmann. This company owns International Watch Company of Schaffhausen (IWC), which is known for its Da Vinci and pilots' timepieces, the long-established A. Lange & Söhne of Glashütte, and a big holding in Jaeger-LeCoultre,, the Swiss watch and movement maker.

The powerful Hattori family in Japan owns brands such as Jean Lassale, Lorus, Pulsar, Saiko and Yema Paris.

More than 10,000 Gulf-based investors own a 45.6 per cent stake in Investcorp SA, a big investor in the world of clocks, watches and jewellery. It was founded in 1982 and is quoted on the Bahrain Stock Exchange. At the end of 1995 19.1 per cent of Investcorp's assets were in luxury merchandise. Previously it had acquired Tiffany, brought it back to health and successfully refloated it.

In 1993 Investcorp bought 100 per cent of the Gucci Group. Following reflotation in October 1995 the shares started trading at US$22 each; by the end of the year the market price had increased by 77.8 per cent. Investcorp and its clients now own 52 per cent of the equity.

The investment company also owns Breguet SA, one of the greatest of all watch names, as well as Société Nouvelle Chaumet and Ebel. In due course all of these companies will be floated.

Ownership changes are also taking place in distribution and retailing. Control of the UK retailer Asprey changed hands in November of last year, when Prince Jafri Bolkiah, a younger brother of the Sultan of Brunei, bought a 90 per cent stake for £243.5m.

He now monopolises the top end of the UK watch and clock retail market, as Asprey in turn owns the crown jeweller Garrard, Mappin and Webb, Hamilton and Inches, and 26 branches of Watches of Switzerland. The group says it plans to continue to develop the Watches of Switzerland stores as quality watch distributors in the UK, and may open in some selected overseas locations.

The long-established maker Girard-Perregaux (GP) is behind the highly successful Ferrari watches, which come complete with the famous Ferrari prancing horse emblem on their dials. GP's watches are distributed by Time Products (UK), which, under Mr Marcus Margulies, its chairman and a big shareholder, has built one of the leading portfolios of brand distributorships in the world. Watchmakers handled by Time Products include Audemars Piguet, Blancpain, Breguet, GP, Piaget and Vacheron Constantin.

Time Products also represents two recently-established makers – Alain Silberstein and Franck Muller – and, lower down in the market place, Russia's Sekonda brand and Apollo Watch Products, a strap manufacturer.

In March last year, Mr Margulies negotiated the purchase of 77.8 per cent of Audemars Piguet (Suisse) SA in what is regarded as a smart move in supply control, and, given his deep reserves, one that might well not be his last.

■ The sixth Salon International de la Haute Horlogérie opened five days ago, on April 13 in the Palexpo exhibition centre in Geneva. This is designed as an exclusive showcase for watchmakers in the Vendôme luxury goods group, which chooses not to exhibit at the annual World Watch, Clock and Jewellery Show opening today in Basel. The watchmakers involved are Alfred Dunhill, Baume and Mercier, Cartier and Piaget.

Exhibition space in Palexpo has been greatly increased this year, with elegant new designs for the booths and meeting rooms. A big feature of the event was the new Française from Cartier.

■ **Basel '96 preview**

Debutantes out in force

The show provides manufacturers with an international venue at which to unveil new models

The Basel '96 trade show is a key event in the watch and clock industry's year. Behind closed doors, and generally by appointment only, many of the world's leading manufacturers will show their new products to their agents and key buyers. This, along with the opportunity to exhibit to a wider public, is why, starting today, Switzerland's oldest university town for eight days becomes the world capital of the watch and clock trade.

A watch fair was first held in Basel in 1930. This year 595 companies and organisations involved in the watchmaking industry are exhibiting.

Mr Neil Duckworth, founder and managing director of Duval, exclusive distributor of TAG Heuer watches in the UK, comments: "Basel is the most important watch fair for Swiss manufacturers. It is truly international. Every single important person in the world of watches attends the fair, be they manufacturer, retailer or distributor. If they only visit one fair, this is it."

Basel '96 attracts plenty of interest from foreign manufacturers. This year, for example, a group of watchmakers from long-established German centres, such as Glashütte and Pforzeim, have come together under the name "Watches of Germany" to co-promote their products. The brands involved include Holborn, Laudier, Nomos, Otto Kern, and Schlenker.

Old brands are sometimes revived at the Basel event. For example a group of investors has resurrected the name of Jacques Gevril, a legendary 18th-century Swiss watchmaker, and the new company has produced a full range of Gevril watches, comprising ladies', mid-sized, gentlemen's and chronograph versions, in both 18ct gold and stainless steel.

Similarly Perrelet, founded in Switzerland back in 1777, was relaunched last year at Basel. This year, in honour of its original founder, it again launched a range of 72 automatic wristwatches. They include the Perrelet Dipteros I which has an unusually large ruby on its central upper rotor.

This year Patek Philippe is showing the Quantième Annuel watch for the first time. The watch's patented mechanism is the first to indicate 30-31 day months on a yearly cycle. The dial, with its tritium-coated gold roman numerals and hands, indicates the day, month, and 24 hours.

> **The event attracts a lot of interest from foreign makers**

Audemars Piguet (AP) always has attractive new timepieces to show to its agents and buyers. This year at Basel it will show several commemorative models. The Millenary range celebrates the coming dawn of the third millennium. It has an unusual oval case, broadest on the 9-3 o'clock axis, which can house any of the brand's movements. Even some of its subsidiary dials are in the same oval shape.

The Carnegie model, also from AP, honours Andrew Carnegie, the ironmaster who became one of the world's greatest entrepreneurs during the last century. It comes in a variety of models, in 18ct yellow or white gold, diamond-set or plain.

The recently-founded Daniel Roth, like AP, has also produced a watch with an unusual case shape – essentially circular, but with two straight sides – housing an automatic chronograph of great elegance in either gold or stainless steel. Its screw-down crown gives it water resistance to 30m, and its hand-crafted movement can be seen through its transparent sapphire back.

Jalousie is the name given by Vacheron Constantin to its new mechanical watch in 18ct pink gold. It has a unique system of shutters, which can be opened to read the time of day, or closed for protection. The shutters, which are similar to Venetian blinds, are operated via a small slide set with a cabochon sapphire on the lug setting below 3 o'clock. This eye-catching piece belongs to Vacheron Constantin's Les Historiques Collection, and echoes a 1930s' piece.

This year Zenith is presenting its Chronomaster Elite at Basel. This is the widely respected 18ct yellow gold Chronomaster now fitted with Zenith's own ultra-thin movement. Individually numbered, each watch comes with a five-year guarantee and a chronometer certificate. Its 18ct gold rotor can be admired through its sapphire caseback.

Three other new watches to look out for at Basel '96 are:

- Omega's new Constellation, which has a slightly domed sapphire over its dial and rounder lug treatment leading to a smoother bracelet than in previous models;
- Girard-Perregaux's Pour Ferrari chronograph range, intended to follow up on its Ferrari F50 watch last year, which was limited to 349 pieces, just like the car;
- Ebel's new automatic Modulor, a contender in the chronograph (stop-watch mechanism) market, which is also certified as a chronometer.

In terms of output Raymond Weil, with some 700,000 pieces sold last year, is very high in the numbers league. It produces high-quality wristwatches at affordable prices, including the well-known Parsifal range. It sells watches in over 70 countries.

The secret of Citizen's new Eco-Drive watch lies in its second battery, which stores the electricity generated by the solar panel in the dial. It comes in a wide variety of models, from simple function to multi-hand and alarm chronograph. The Eco-Drive system is so efficient that it needs only one minute of daylight or 15 minutes of electric light to power 24 hours of time-telling.

Almost 30 per cent of TAG Heuer's sales are of ladies' watches, in which the S/el series figures prominently. These are "sporty" watches positioned at the lower end of the market. In the mid-market are unusual timepieces such as DeLancau's Golden Dream, which has a shutter which slides open and shut over 54 ruby bearings (rather similar in conception to Vacheron Constantin's Jalousie), and Dianoor's Chameleon, in which the revolving bezel can be used to select diamond, emerald or ruby surrounds.

There are new models this year in Patek Philippe's Calatrava line. In one the bezel, with its four concentric rings of guilloché pattern, nicely underscores the *Clou de Paris* guilloché dial. Audemars Piguet is presenting an automatic Royal Oak Offshore for ladies with a date window at 3 o'clock. The Le Brassus-based company also has a ladies' version of its new Carnegie model.

Corum, of Admiral's Cup fame, is launching its new Arcus range of jewellery watches at Basel. These are distinctive for their oval shapes (down the 12 to 6 o'clock axis) and curved cases, with dials of mother-of-pearl or red lacquer.

Ebel today unveils its completely new quartz Shanta curved ladies' dress watch in 18ct yellow gold. It is notable for its open-work hinged cover and integrated open-work bracelet, and comes with a five-year guarantee.

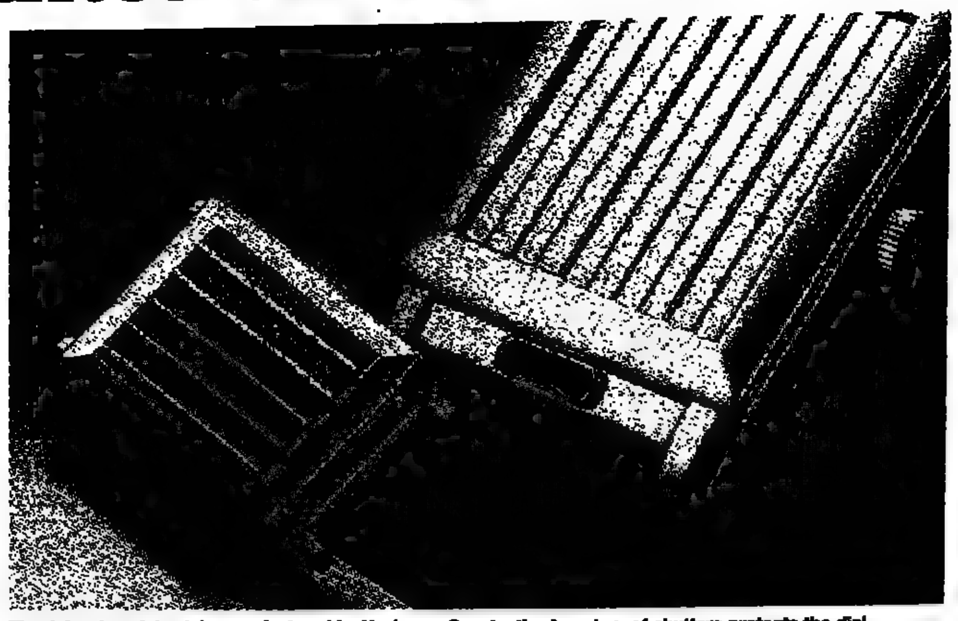
Bulgari is the third largest jeweller in the world, and is still family-controlled. Its watchmaking activities go back to the 1940s and today it runs a sizeable operation in Neuchâtel. The well known Bulgari-Bulgari arrived in 1977, and its range is further extended this year at Basel. There is also a new automatic Squelette in 18ct yellow gold and a Rattrapante chronograph, in either platinum or 18ct gold.

Hermès has been producing highly individual watch designs since the 1920s, such as the Arceau, with its italicised Arabic numbers wheeling around the dial, the Kelly, with the watch set in the padlock on its strap, and the covered Medor. The dial of its Loquet wristwatch can be exposed in a trice. This month Hermès takes over its own watch distribution in the UK.

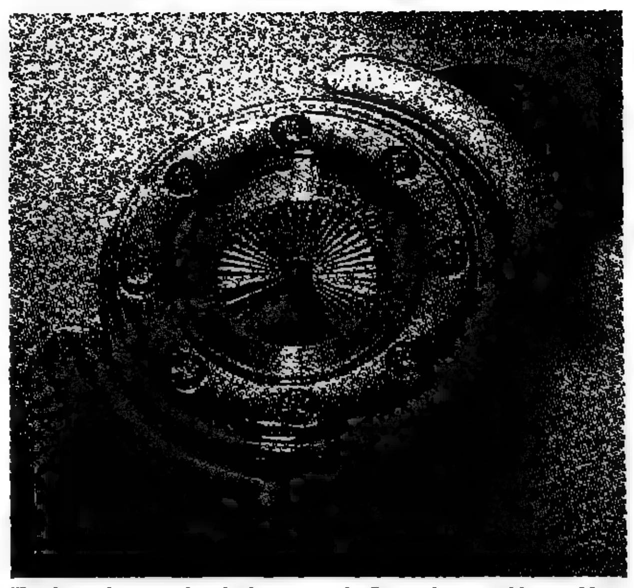
This year Tiffany brings three new complementary watches to its established Vannerie jewellery collection, with its basket-weave design motif. They are quartz, water-resistant and feature sapphire, scratch-resistant crystals, white dials and roman numerals.

Jaeger-LeCoultre has brought one of the most spectacular wristwatches to Basel. It is their new automatic Reverso Chronograph Retrograde in 18ct pink gold. This magnificent timepiece has been made in a series limited to 500, and looks set to become a collectors' item. Other limited editions include Omega's 18ct pink gold De Ville automatic chronometer, Kelek's Montre du Centenaire repeater, Mondaine's Swiss Railway Station quartz watch, and, that annual treat, another single jump-hour tourbillon, all hand-made by Kiu Tai Yu in Hong Kong.

Among the less conventional watches being launched in Basel this year is Hublot's automatic Nénuphar, production of which has been limited to 60 pieces. The dial represents a water lilly, covered with enamelled frogs. Another unusual watch to look out for is Gérald Genta's Fantaisie, with a patented mechanical movement featuring a jumping dial and retrograde minute hand, with the cartoon character Mickey Mouse pointing out the minutes.



The Jalousie wristwatch manufactured by Vacheron Constantin. A system of shutters protects the dial



The Chameleon: turning the bezel reveals diamonds, emeralds or rubies

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INTERVIEW Charles Millon, president of the regional council of Rhône-Alpes

Important challenges

It has been a hard-working Saturday for Mr Charles Millon, writes Andrew Jack. Before discussing Rhône-Alpes, he has already taken part in a debate with students about the future of national service, visited Bovexpo, the regional cattle fair, and helped inaugurate the Foire de Lyon, an annual trade fair.

Mr Millon has been mayor since 1977 of the village of Belley where he was born in 1945. He worked his way through local and national politics to become minister of defence last year, reflecting his long-standing loyalty to President Jacques Chirac.

He has been president of the regional council of Rhône-Alpes since 1988.

"There is no evidence that Rhône-Alpes was a historical or geographical unity," he says. "We have had to work hard over the last 20 years to forge the region. Little by little, people have developed a pride of belonging."

He says its strong communication links, the concentration of businesses and educational institutions, and the high quality of life all make it an attractive region for foreign investors.

Increased co-operation between Lyon and other leading cities in the region has helped bind Rhône-Alpes together, he says. He cites a strong network linking Lyon with St Etienne, Grenoble, Annecy, Chambery and Valence which, he says, was "revitalised" after the election of Mr Raymond Barre as mayor of Lyon last June.

Not everything has been so positive recently. Rhône-Alpes suffered a blow when the French Olympics committee decided to opt for the rival city of Lille as its preferred candidate for the Olympic Games in 2004. Some critics argue that the decision reflected a lack of support from local people, and notably the refusal by Mr Michel Noir, the mayor of Lyon until last year, to endorse a project which had come from Mr Millon and the regional council.

Restructuring of the French military sector will affect the region AP

Mr Millon rejects the idea. He says that the fact that Rhône Alpes has already hosted Olympic events three times this century, most recently the 1992 winter Olympics at Albertville, was a negative factor for the committee. He adds that Lille, the rival candidate, could arguably make a stronger case for needing a boost to help the local economy.

One of his priorities for the region – reflecting a growing debate at the national level – has been the issue of the reduction of working hours, as part of what he calls "the struggle for jobs" in a country with more than 3m people registered as officially unemployed.

Millon: worked his way through local and national politics

Just before Christmas, the government held its "social summit" with the unions and employers' federation as part of the resolution of the strikes that had gripped the country in response to proposed welfare reforms. Even Mr Alain Juppé, the prime minister, said he was willing to discuss reductions in working hours.

On the same day – in a move that raised some eyebrows – Mr Millon announced in the regional council in Rhône-Alpes his own plans for an initiative.

He wanted local businesses to reduce the 39-hour working week to 32 hours but pay to be pegged at the rate for 35 hours, with the cost of the three supplementary hours picked up jointly by the local and national governments.

The details are only just being finalised, with the first three pilot companies beginning to operate the scheme this month and a total of 50 under study. The subsidy is to take the form largely of tax deductions for the participating groups.

"We need a complete modification of our way of life," says Mr Millon. "It's a vast project, but we either move towards a much more liberal system with strong inequalities like the UK, or we develop structures to ease the tensions if we want a society than is more pleasant to live in."

Mr Millon stresses two other priorities that he has for the region. The first is infrastructure, notably the need for more rail links – both a faster connection between the east and the west of the region to help feed into the Satolas airport – and the "very very important" fight for a TGV high-speed link from Lyon to Turin, for which feasibility funding was last year approved by the European Community.

He is rather more ambivalent about the Rhône-Rhine canal link, enabling legislation for which was passed last year. "The canal would be useful, but it is essential to take into account the economic and the ecological effects," he warns. "We have to remove the emotion from the debate."

His second priority is regional development, helping to balance the varied levels of economic strength of Lyon and the central part of the region with the less-developed mountainous areas to the east and the more agricultural south. He says he wants to promote greater co-operation between local communities to focus on key projects to aid their growth.

Mr Millon has been the focus of much attention recently because of his role – along with President Chirac – in announcing a radical restructuring of the French military sector, including plans to end compulsory military service in its current form, and to close many bases.

Yet, despite the high concentration in the region of both soldiers and defence contractors likely to be affected by the reforms, he denies that there has been any local backlash against him so far. He stresses the long-term time scale over which the reforms will be brought about, and the importance to be placed on restructuring and aiding manufacturers to switch to other forms of production.

For the future, he says that one of the most important challenges for the region is for it to make itself better known and more tightly integrated internationally. "People in London know Paris, Geneva and the Alps," he says. "But they don't know Lyon, St Etienne and Grenoble."

He emphasises that this June's G7 (Group of Seven) meeting of world leaders is an "excellent" step in the right direction.

PROFILE Euronews

Tough transition in progress

Tucked away in a small industrial estate in the suburbs of Lyon is a small business often mentioned locally with a pride and a frequency far out of proportion to its size. The only clue to its identity from the outside of its nondescript building is the presence of several large satellite dishes on the roof.

Euronews – sometimes described as a European equivalent of the US-based CNN – may only employ about 160 people, but its product is widely broadcast around the continent in a mission to provide up-to-date news with a European focus, 20 hours a day.

Yet the organisation, founded at a time when the philosophy and practice of television broadcasting was extremely different at the start of the 1990s, is now facing a tough transition which is far from over.

The idea from the start was that Euronews would be owned by public television stations throughout continental Europe, aided by the European Community. "It was to provide a counter-balance to CNN, with a much more European focus," says Mr James Baer, the new chief executive appointed at the start of this year.

However, the BBC – already wrapped up in its own priorities and projects for international broadcasting – decided early on not to participate. German public television initially expressed interest but then pulled out, citing the difficulty of getting accord between the Länder – when Lyon won the contest to house the station ahead of Munich.

That left France – with its France 2 and 3 public channels – as the largest backer, accompanied by a further 15 other national broadcasters enlisted as shareholders, from which the rotating chairman is selected.

Euronews has access to all their news and analysis programmes, and in exchange they are allowed to rebroadcast the company's output. The BBC and German TV also contribute their images free of charge. In addition, Euronews is supplied across the continent to many of its 21m cable television subscribers, and the 2m or so who can view images directly from the European Telecommunications Satellite Organisation's satellite.

"I think it's a great product," says Mr Baer. "The network is appreciated by those who watch it. You see it if you want quick, up-to-date information on the latest news, for perhaps 15 or 20 minutes." He says that while television networks often need one or two hours between receiving images and rebroadcasting them in a news slot, Euronews is ready to go on the air within four or five minutes of receiving images.

Serge Tchuruk: decided he wanted to refocus the group

There are currently services in five different languages – English, French, German, Spanish and Italian. The images are identical on each channel, but Mr Baer stresses that the commentary is not simply a translation but a different text written by teams of journalists for each service.

The group claims there is no political slant in the selection of images and news stories, but there is one explicit editorial bias – to broadcast items which concern Europe and which help aid the construction of Europe. That reflects the identity of Euronews's other backer, currently providing one-third of the funds, the European Community itself.

The problem for Euronews is that its ownership structure and business philosophy has rendered its situation precarious at a time of tremendous change in the public sector. It does not publish accounts, although executives say it made losses of at least FFr50m last year, on a turnover of FFr180m. That comes after assistance, including rent-free buildings, for the first 10 years of its existence.

Suard: forced to resign after being banned from contact

There has been relatively little billing of the national public sector broadcasters for use of its images, and it is currently supplied free of charge to cable operators throughout Europe. There is only scanty information available on the number of people who even watch the service.

Discussion appears to be only just beginning with digital television broadcasters for their new satellite services, likely to be launched across Europe later this year.

Equally, Euronews's commercial activities are under-developed. Until the start of this year, it was possible to buy advertising slots on the programmes for as little as FFr3,000 and Mr Baer says there was little attempt until recently to even solicit advertising.

He says that there is currently only an average of perhaps six minutes of advertising an hour – and much of that is by home shopping services which he wants to reduce – compared with the 12 minutes which is permissable under the French broadcasting regulations with which Euronews must comply.

Against the backdrop of potentially growing financial difficulties, Euronews last year managed to find some limited salvation through Générale Occidentale (GO), the media conglomerate previously owned by the financier Sir James Goldsmith and now part of the French Alcatel Alsthom engineering and telecoms group.

GO agreed to inject FFr115m in exchange for a 49 per cent stake in the Euronews holding company, with the rest retained by the public broadcasters. It was also given the power to nominate the chief executive – its first nomination being Mr Baer.

But after the recapitalisation last year, Mr Pierre Suard, the head of Alcatel and the man who had seen the growth of GO's media interests, was forced to resign after being banned from contact with his group by a French judge as part of an investigation into allegations of corruption and over-billing of clients.

Mr Serge Tchuruk, who replaced him, decided he wanted to refocus the group, and GO's future involvement with Euronews has since looked more open to question.

Future discussions about programming include the possibility of broadcasting in Dutch and in Arabic – a project which interests the EU given its proximity and the developing links with the region – as well as in Portuguese and perhaps, in the longer term, in Russian.

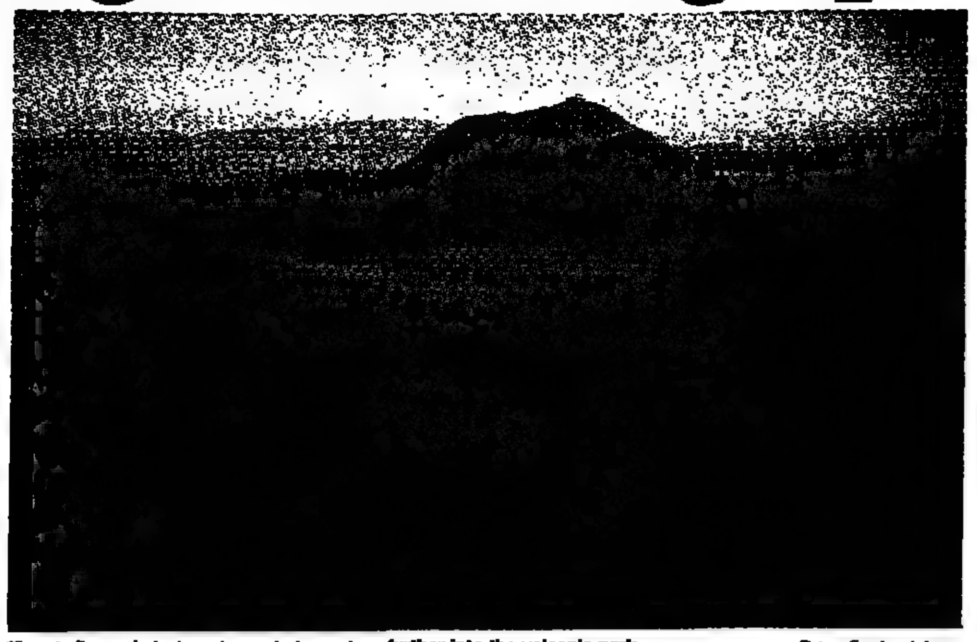
Mr Baer says he hopes to be able to broaden the number and type of viewers, as well as attract new advertisers. He also anticipates substantial management changes internally. All that, and a target to break even by the year 2000.

Andrew Jack

■ **Tourism:** by Andrew Jack

Campaign is hotting up

There are more than 50 historic houses and castles linked by a series of trails as part of the 'route des chateaux'



The challenge is to tempt people to venture further into the volcanic park

Picture: Benchmark Agency

The campaign to turn Auvergne into an attractive tourist destination is hotting up. A new summer advertising campaign recently launched on French television shows a happy couple in swimwear relaxing in the sun next to a lake, rambling in open fields, exploring a chateau and rafting in river rapids.

The region might not be the first location to spring to mind when considering a holiday, but it is certainly doing its best to raise its profile and highlight some of its little-known strengths.

"1995 was a better season in Auvergne than elsewhere in France," says Ms Béatrice Rozier, head of promotion of the regional tourism committee. "People are rediscovering rural tourism. They no longer consider being by the seaside as the only object of a holiday. They are looking at culture, and discovering regions they do not know very well."

She says that Auvergne is attractive in summer because it has good weather while being less extremely hot than some southern parts of France. Equally, prices are relatively low – an important factor at a time when much of Europe is suffering from an economic slowdown.

According to Mr Christopher Mignon, a geography professor at Clermont-Ferrand, until the 1980s the region attempted to capitalise on its volcanic landscape to build an image in winter for "mountain tourism". The result, he argues, was "catastrophic".

"Auvergne is not the Alps," he says. "The mountains are lower, there is less snow and sometimes none. It was very risky." Equally, in the summer, the stress was on a type of visitor of relatively modest means, who spent little. There was little infrastructure to encourage the opening of the region to other groups.

In the past 12 years, he says, there has been a radical change, with the emphasis shifted to "nature and culture" and "the tourism of open spaces" in the summer, aided by the development of organised trails and the improvement of reception facilities.

In winter, it means cross-country skiing as much as the downhill variety more suitable to the Alps, with centres such as Besse, Super Besse and Mont Dore offering considerable possibilities even when there is relatively little snow.

That does not mean that there are not still considerable challenges ahead. Even Mr Valéry Giscard d'Estaing, president of the regional council, concedes that Auvergne lacks adequate tourist accommodation, particularly of top standard. Mr Mignon stresses that many of the visitors attracted to the region are still relatively modest spenders, bringing limited benefits to the economy.

Nevertheless, there is considerable potential. Puy de Dôme, the extinct volcano just to the west of Clermont-Ferrand, with impressive panoramic views on a clear day, is the second most frequently visited natural site in the country, with some 400,000 annual visits.

The challenge is to tempt people to venture further into the volcanic park to the south rather than simply taking a short half-day trip from the city. The park itself – the largest in France at some 395,000 hectares – contains about 100 volcanoes of varying types.

For the future, one of Auvergne's great hopes lies with an idea from Mr Giscard d'Estaing. He arranged for the purchase of an old military exercise area to the west of Clermont-Ferrand, on the northern perimeter of the Parc des Volcans, which he hopes to convert into a European volcano museum.

The aim is to open the museum, costing some FFr400m, by 1999, and Mr d'Estaing believes that more than 500,000 visitors a year will be attracted to the park. The architect has been selected, a name – Volcania – approved as the result of a competition by local schoolchildren, and construction is expected to start in the next three months.

Three-quarters of the centre will be underground. There will be a large projection gallery, facilities to simulate eruptions, a huge artificial volcano, and a garden symbolising the fertility following an eruption.

But there is more to Auvergne than volcanoes. The region boasts a second natural park, of Livradois-Forez, as well as the oak forest of Tronçais, containing some trees reportedly more than 300 years old. It has placed increasing emphasis on sporting activities including fishing, riding and trekking.

There are more than 50 historic houses and castles, linked by a series of trails as part of the "route des chateaux" developed over the past few years. There are a similar number of Romanesque churches, built in a specific style developed in the region.

There is a "route des métiers", which takes in workshops demonstrating crafts as varied as crystal-engraving, cheese-making, fruit bottling, bee-keeping and the production of foie gras.

There are 10 thermal stations, including the best-known at Vichy, offering a range of health cures through drinking and bathing in spa water, as well as opportunities to simply relax.

There are cultural events, including the festival of la Chaise-Dieux, dedicated to reproducing religious music, and the medieval-style Bird King celebrations.

And finally there is gastronomy, given the region's agricultural strengths and its strong, long-standing tradition of restaurants, which retain an important hold in Paris. Auvergne has five appellation-controlled types of cheese including cantal and Saint-Nectaire. It has even applied for recognition of the quality of its lentils.

PROFILE Valéry Giscard d'Estaing

Fiercely loyal to his roots

He may be relaxing in the study of his sumptuous mansion in central Paris – the city where he spends a good deal of his time – but Valéry Giscard d'Estaing has a passion in his eyes when he talks about his native Auvergne.

Long involved in national politics and part of the institutions based in the France's capital, "VGE" nevertheless gives the impression of remaining fiercely loyal to his family's long – and political – roots in the region. "I am completely local," he says. "My four grandparents are from the area. I'm happy to live there."

After an early education at the lycée Blaise-Pascal in Clermont-Ferrand, the regional capital, he moved to Paris to complete his schooling before attending the country's most well-known and prestigious elite training centres, the *école polytechnique* and the *école nationale d'administration*.

While he has occupied many national political positions, including President of the Republic, founder and out-going president of the UDF centre-right political coalition, and minister of economics and finance, he has not abandoned local politics.

He was first elected as a national deputy for the Puy-de-Dôme region of the Auvergne in 1956, became a municipal councillor for Chamalières just to the west of Clermont-Ferrand in the 1970s, and has been president of the Auvergne regional council since 1986.

More recently, last year he ran a highly-publicised campaign to oust the long-standing socialist mayor of Clermont-Ferrand, eventually losing by a tiny margin. "The town had been on the left since 1945, it has some very difficult suburbs, and has suffered from unemployment," he says to explain his defeat. "I was rather impressed by the vote, it was a very encouraging sign of vitality."

But Mr Giscard d'Estaing prefers to linger on the history of the Auvergne, stressing its depth. He proudly cites its pre-Roman origins, Clermont-Ferrand's role as the place where the first crusade was launched in 1095, and the region's intellectual tradition, reflected in figures such as Blaise Pascal and the foundation of the austere, intellectual Jansenist Catholic movement.

"There are some regions in France which are simply a collection of departements," he says. "There are others where there is a strong identity, such as Alsace, Bourgogne, Brittany... and Auvergne."

Mr Giscard d'Estaing points out that all the French kings were born in the area, as was Georges Pompidou, the president of the French Republic whom Giscard replaced in 1974 after his sudden, unexpected death from cancer. Napoleon was a frequent visitor to Clermont-Ferrand during the 19th century.

He says the region was very poor, and subjected to substantial emigration during the second half of the last century. Many went to Paris, starting initially with shops selling coal and wood, then branching out to develop a strong grip on cafés and restaurants.

Today, he says that agriculture remains one of the region's great strengths. "We have the good fortune of producing high quality, value-added products from the land," he says.

He also cites the attractions of tourism, given the region's climate, natural beauty and heritage including notable Romanesque churches and chateaux. Yet he concedes that there is a lack of facilities and insufficient accommodation – and a need to build a high quality infrastructure to support the business.

Mr Giscard d'Estaing emphasises that unemployment remains lower than the national average, and that the region has a disproportionately large concentration of industry at the expense of services. He also admits that foreign investment "has not so far worked in a very significant way" – something that his critics hold against him.

Giscard d'Estaing: down-to-earth contributions

Others suggest that he has been less attentive to his region than he might have been during his national political career, turning his back on it and offering less help than the current president, Mr Jacques Chirac, in his nearby native Corrèze, let alone François Mitterrand with his grand infrastructure projects in Paris and elsewhere.

Nevertheless, there are widespread local indications of Giscard's presence – including the tax inspectors' training school. Yet he prefers to emphasise his rather more down-to-earth contributions.

"My objective, which has marked my public life [in the Auvergne] was to open the region to the exterior," he says. "It was a mountainous island, and economic development was not possible. I made big efforts for road and air connections."

He cites the autoroute linking Clermont-Ferrand to Lyon, and another which will pass through the region connecting Paris with Bordeaux, due for completion by 2001.

Less positive has been the development of rail links with other parts of the country. The services remain relatively infrequent, long and uncomfortable. "They have unfortunately been delayed," he says. "In my view Clermont has not done what was necessary to attract the TGV [high-speed trains]."

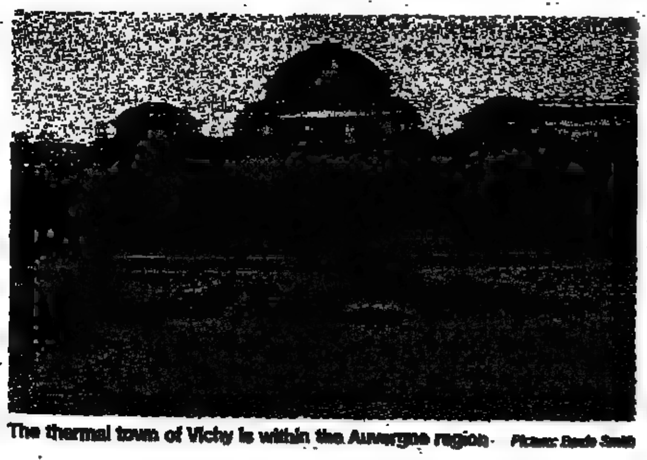
He says that among the policies of which he is most proud is an emphasis on education, arguing that Clermont-Ferrand has the highest density of post-baccalaureat students in France, including two universities and five *grands écoles*, as well as a number of research institutes. Equally, he highlights his efforts in more junior schools, providing them with modern facilities and the latest in computer technology and fibre optics.

Yet he still has at least one large-scale personal project remaining: a museum of volcanoes just to the west of Clermont-Ferrand and drawing on the rich natural heritage to the west of the Auvergne. He claims to be the father of the project, and has guided it through in his role as president of the regional council, insisting that schoolchildren come up with the name of the centre in a competition. The result, announced in March, is Volcania and its centrepiece will be an artificial volcano. That, at least, should prove a tangible, unusual monument to the region's most notable living politician.

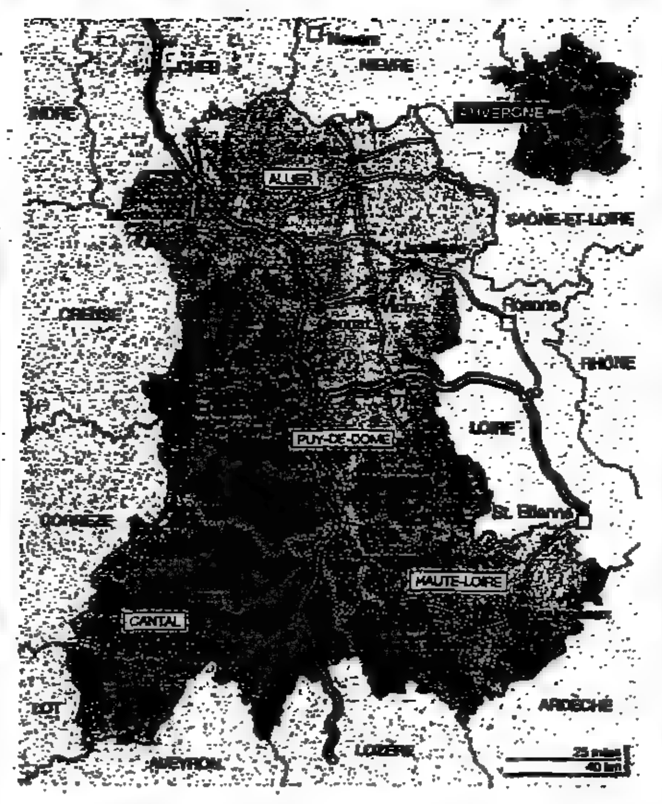
Andrew Jack

Powerful potential lies dormant

Auvergne has a network of small and medium-sized businesses as well as big industrial concerns such as Michelin, writes Andrew Jack



The thermal town of Vichy is within the Auvergne region *Picture: Rude Smith*



Rafting is one of many activities available for tourists *Picture: Benchmark Agency*

Like the volcanoes which dominate its western flank, Auvergne in central France looks dormant in comparison with the powerful forces that forged its past, yet with the potential for renewed explosion in the future.

For many, the name of the region triggers up little more than the relatively bleak image of Clermont-Ferrand, the principal city which in turn stands above all for Michelin, the secretive tyre manufacturer that now holds nearly one-fifth of the world market.

Yet Auvergne contains considerable variety economically as well as geographically, encompassing the thermal town of Vichy, the steel cutlery region around Thiers and the presence of big industrial concerns such as Rhône Poulenc and Giat, as well as Limagrain, the agro-food business, and Volvic, producer of the spring water.

Its network of small and medium-sized businesses in sectors ranging from health to car sub-contracting, and advanced materials to nutrition, has helped it maintain a rate of unemployment nearly 1 point below the national average.

It is also an attractive tourist destination, offering visitors the chance to go skiing in winter, trekking or wandering around churches and castles in summer, and access all year round to a local gastronomy that includes five different types of appellation-controlled cheese.

However, it is the culinary link which hints at one of the traditional problems of the region. Tough economic conditions, particularly in the rural areas, forced widespread migration in the the 19th century to cities such as Paris, where the arrivals turned first to selling coal and wood, then to opening bars and restaurants, a sector in which they still have an important hold.

Mr Christian Mignon, a professor of geography in Clermont-Ferrand, says that the region – which has a modest 1.3m population for its size – is still losing people, not only from its more mountainous rural areas, but even from its towns. "Some of the mountainous areas have reached the point of no return," he says. "It is too late to inject industry there."

One of the reasons for the lack of development has been the region's traditional isolation. The steep hills encircling much of Auvergne for long provided an obstacle to contact even with neighbouring regions – and help to explain frequent comparisons drawn with Scotland.

There is now a modern – and often relatively empty – autoroute which connects Clermont-Ferrand with St Etienne in the neighbouring region of Rhône-Alpes to the east. A second route connecting Paris to Bordeaux is scheduled for completion by early in the next century, and regional planners are helping to create a logistics and distribution centre in response.

Nevertheless, many of the region's roads remain winding and slow, while there is little sign yet of regular daily railway connections east and west from the regional capital, let alone a commitment for the construction of any TGV high-speed link to Paris.

A second challenge for Auvergne also linked to its historical pattern of emigration is that the population is ageing fast. It is no coincidence that Clermont-Ferrand hosts one of France's most advanced institutes for the study of the effects of nutrition on humans, specialising in the effects on the elderly.

Although the city itself has attracted five engineering schools and hosts two universities which have substantially boosted student numbers, it faces difficulties retaining many after they have graduated. That poses clear challenges for the future.

Mr Mignon also highlights the imbalances in the region, with still nearly twice the national average of people working in the agricultural sector, below average in services, and a poorly developed urban network, with relatively few strong links between Auvergne's settlements.

For a long time, there is little doubt that a single company dominated Auvergne, drawing in rural and urban dwellers alike to help support its expansion over the past century. Michelin provided jobs, but also community, operating a model of industrial paternalism which ran to it constructing houses for its workers, sports facilities and even hospitals and schools.

But since the 1970s, all that has gone. "Michelin is no longer Father Christmas," as one observer puts it. While the group is still based locally, it has halved its local workforce of 30,000, and increasingly focused on expansion internationally – including some of its research facilities.

That is part of a more general trend, reflecting fears that Auvergne's companies have far less autonomy than in the past. "One of our problems is that our businesses get bought up by companies from outside the region, who take control away," says a local industrialist. "We need more groups employing over 100 people."

Another factor which some see as hindering local development has been the domination of a few politicians for years, none more so than Mr Valéry Giscard d'Estaing, an Auvergnat by birth who rose to become minister of finance, then president of France during 1974-1981, and is the long-standing head of the regional council.

"There is a feeling that he, like several others, is a local personality with a national focus," says one observer. "When they go back to Auvergne, they put their slippers on, and they don't really want the region to change."

Mr Giscard d'Estaing himself says that his contributions to the region include helping to open it up with the construction of roads, as well as placing a high importance on developing top quality schools.

He has also been the force behind a new FFr400m volcanoes centre, due to open in 1999, which he hopes will attract more than 500,000 visitors a year (Tourism report, Page VI).

That may not be sufficient on its own to help boost the local economy, but it will at least mark an eye-catching legacy to his grip on local power.

PROFILE Michelin

Message of discretion from the top

Nothing could symbolise the philosophy of Michelin better than the rating its own tourist handbook gives to the city in which it is based: just a modest two stars or "worth a detour".

Clermont-Ferrand, the capital of the Auvergne, may have long-standing historic importance and some notable architecture, but it gets an assessment in the green guide typical of the tyre company's rigorous, low-key approach.

Over more than a century, Michelin developed into one of France's great success stories, and exerted a powerful influence on the development of Clermont-Ferrand and the region – a fact acknowledged in the picture of a tyre alongside one of a cathedral on the tourist notice boards at the entrance to the city.

Yet there is little sign of extravagance in the group's headquarters, which remain firmly rooted in the city rather than in the more glamorous surroundings of Paris. The offices and reception areas are austere, the mood intense and serious, the top management dominated by technicians and engineers.

The message of discretion trickles down from the top. Its controlling shareholders – including François Michelin, grandson of the founder of the modern company, and his son Edouard – drive their own cars to work rather than using chauffeurs.

Getting information out of Michelin that it does not want to reveal is far from easy. Its factories and research centres lie scattered across the Auvergne, but many have no signs on the outside to identify them and are tightly patrolled to keep visitors away.

Until 1991, the company had a policy of not communicating with journalists and financial analysts at all. The Michelins rarely give interviews. The company executives shy away from being quoted, and even elementary aspects of its internal organisation such as the names of the group's top divisional directors have traditionally never been made public.

But over a long period, this cult of secrecy had apparently few ill effects. Founded in 1863, the group developed into the world's largest tyre manufacturer, with some 19 per cent of market share, a universally-recognised brand name and 69 factories in 13 countries.

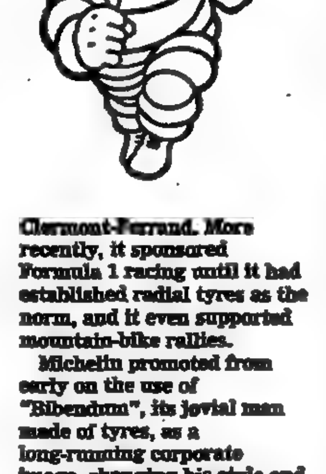
It pioneered the detachable air-filled tyre for bicycles and diversified into tyres for horse carriages, cars, trains and aircraft as each new form of transport evolved.

Michelin invented or swiftly adapted to new developments in the industry: black tyres, tread, lower pressures and, even more recently, bullet-proof tyres. It patented the radial tyre just after the second world war, guaranteeing it exclusive production rights for the next 20 years.

Michelin's international focus was evident from early on: its rubber brake pads for horse carriages in the 1880s were marketed under an English name "The Simple", and by 1905 Michelin had opened an office in London.

A year later, it launched its first foreign factory, in Turin.

It never shied away from opportunities to raise its profile. It offered a FFr100,000 prize for the first aviator to fly from Paris to the Puy de Dôme peak outside



Clermont-Ferrand. More recently, it sponsored Formula 1 racing until it had established radial tyres as the norm, and it even supported mountain-bike rallies.

Michelin promoted from early on the use of "Bibendum", its jovial man made of tyres, as a long-running corporate image, changing his style and appearance to fit the spirit of the age and of its customers.

From the turn of the century, it started to distribute its "red guide" to help encourage people to get on the road and use their tyres – an initiative that would become the basis for a mini-industry of guides, plans and navigation information making it the biggest tourist publisher in Europe today.

Michelin launched a petition to introduce a systematic road numbering system in 1908 and, after claiming victory, it went on to manufacture the accompanying traffic signs until 1975 – accompanied initially by its name in large letters until the government forbade the practice.

In a sign of its contribution to the broader French economy, Michelin bailed the Citroën car company out of its financial difficulties in the 1930s, and remains today an important shareholder in the Peugeot group.

In classic Victorian paternalistic style, it also built houses, schools, hospitals, shops and refectories for its workers, and cared for them in old age. Extending north-east from the centre of Clermont-Ferrand down Avenue Edouard Michelin, its tyre-testing tracks still dominate the skyline.

Such expansion could not go on for ever. After buying the Uniroyal Goodrich tyre company in 1989, Michelin dropped into heavy losses, and saw its debt levels rise substantially.

Since then, it has moved into a period of consolidation, which is likely to be rewarded with a return to profits for 1995. From the early 1980s, it halved its workforce in Clermont-Ferrand from 30,000 to 15,000. Worldwide, the numbers have been cut from 140,000 to less than 115,000 in the past four years alone.

Automation has increased, highlighted by the development of its C3M machine, shrouded in secrecy but apparently capable of switching production between its different types of tyres – although the group stresses that it will use it to complement existing factories' production rather than as a way to cut staff numbers.

There are recent signs of change in other ways. In a widely-heralded press release published in February this year, it announced the creation of a nine-member executive committee, revealing both their names and backgrounds and their newly-assigned roles.

At the same time, it unveiled details of a broader restructuring of its organisation along geographical, product and functional lines – a plan which in characteristic fashion was organised from within rather than relying on external consultants.

Even so, the objectives sound familiar: closer integration of its activities in an effort to place ever greater priority on clients, staff and shareholders.

Meanwhile, Michelin is continuing to eye new markets such as Asia and Africa, and to develop partnerships including ones in Poland and China announced in the past few months.

Andrew Jack

Industry: by David Buchan

A long tradition

Foreign companies employ more than a tenth of the 115,000 local people working in industry

The fact that Auvergne's unemployment rate (10.2 per cent in December 1995) is lower than the national average (11.7 per cent) is tribute to the variety and density of the region's industry.

For a region that many outsiders consider to be "just cows and mountains", as the lady from Adimac, the regional development authority, tartly complains, Auvergne has a surprisingly long industrial tradition.

It partly stems from the region's location in the centre of France, far from its borders and the threat of invasion. Before and during the two world wars, the government encouraged a number of defence and strategic industries to set up in the Auvergne.

The big Pechiney plant at Issoire switched from aluminium sheet for the car industry to aircraft fuselages and wings during the second world war for this reason, and today the region is home to several companies active in defence high-tech, such as Sagem, while the French air force flies military aircraft into Clermont-Ferrand airport for servicing.

The presence of the region's one giant, Michelin, also seems to have attracted other companies in the same strategic sector of rubber, as in Montluçon, a town in the Allier with a long engineering industry based on coal and iron ore, where Dunlop, now owned by Sumitomo of Japan, still employs more than 1,000 people making truck tyres and tennis balls. The plastics industry has developed not far away in Thiers and at St. Sigolène in the Haute Loire.

Engineering skills, increased by the creation of such bodies as Clermont-Ferrand's national institute for advanced mechanics, has also encouraged manufacture of car parts by companies such as Valeo, the French market leader. The pharmaceutical industry has developed fairly autonomously with the arrival of Merck & Co of the US, Roussel-Uclaf (now owned by Hoechst of Germany), and RETI (now owned by Akzo of the Netherlands). But the presence of a powerful agricultural sector has produced offshoots into bio-medicine by companies such as Limagrain.

In a more traditional vein, hides and trees provide the raw material in the Allier for Louis Vuitton's fancy suitcases and Bally shoes, while Berrywood, a Belgian company, is setting up parquet flooring manufacture to take advantage of oak from the Forêt de Tronçais. The Montluçon wood auctions every October set the benchmark price for oak in France.

The Bank of France's Clermont-Ferrand printing works employs 1,200 people and is the region's second-biggest employer behind Michelin. Special printing in the region also extends to Oberthur which makes lottery tickets, bank savings books and passports.

Another big employer is Pechiney-Rhenalu at Issoire, where 1,500 people make flat rolled foil, coil and extrusion products. Its products have gone into Caravelles, Concordes, and now Airbus. About 25 per cent of the volume (amounting to 30 per cent of the value) of total output goes to the aircraft industry, and it is from Issoire that British Aerospace at Chester gets much of the metal that it uses to make Airbus wings.

Pechiney-Rhenalu at Issoire also makes aluminium for moulding plastics, for LNG carriers for Finland and Japan which uses aluminium reservoirs to carry gas, for road tankers, fire trucks, shelters for field hospitals, refrigerated trucks, roofs of trucks and caravans and high-speed boats.

Transport links could pose a problem for such a heavy industry. "The original choice of Issoire was more for historic and strategic reasons," admits Mr Bernard Jacquelin, director of the Issoire factory. "But we now have less need to move, because the region has new means of transport with good road links to Germany, Italy, Spain and to the north." Indeed, with regular flights from Clermont-Ferrand to European capitals, Pechiney's 40-strong commercial department at Issoire markets all of the factory's output.

Foreign companies employ more than a tenth of the 115,000 Auvergnats working in industry. But the limits on the attraction that Auvergne exerts on foreign investors are shown by the fact that three-quarters of foreign investment in the region is in the form of acquisitions of existing businesses, such as the recent takeover by Menvier Swain, the UK security and fire alarm equipment group, of Luminox, a local company which has proved itself by lighting up the Channel Tunnel.

New greenfield projects are relatively rare, although some are very successful such as that of Rockwool, which set up a decade ago to incorporate the indigenous volcanic rock into insulation materials. It now has a quarter of the French market in this sector.

One of the biggest takeovers was that of the local Chibret pharmaceutical company by Merck & Co, the US drugs giant, to form MSD-Chibret, with plants at Le Puy in the Haute Loire making chemicals, another in Clermont-Ferrand making sterile products and its main operation at Riom making tablets.

"In order to do the FFr4bn worth of business we do each year in France, we need a French plant," explains Mr Jacques Fauve, Merck's local director who employs a total of 1,180 people in the region.

"Merck has just decided to invest a further FFr140m here, which is a mark of its confidence in the operation," he says.

Agriculture: by David Buchan

Billion-dollar co-operative

Auvergne's agriculture and food processing sectors generate nearly 5 per cent of gross regional product

Out of the dark volcanic earth of the Limagne plain east and north of Clermont-Ferrand – probably the richest soil in France – has sprouted Limagrain, a billion-dollar agricultural co-operative.

Set up in 1942 to pool scarce wartime seeds among its maize-growing shareholders, Limagrain has since expanded its seed business into flowers and vegetables and branched out into the food processing and bio-medical industries. It predicts sales of some FFr5.3bn this year, with more than half its business abroad. It has subsidiaries in every European Union country and the US, Canada, Chile, Japan and Australia.

Limagrain's raison d'être remains service to its 500 farmer-shareholders who are rather choosy about letting new members in: bizarrely for a modern multinational, entry into the co-operative still mainly depends on the shareholder's ability to show him or herself a reliable grower of good maize seed. The co-operative gives its members a market for their seed, as well as a return on their investment.

This return gives Limagrain's members a steady source of income that most other French farmers do not have, but not a princely one.

Expansion in seeds, with such UK acquisitions as Suttons and Nickerson, and diversification into agro-industry with last year's purchase of Jacquet, a leader in the fast-growing French market of pre-packed bread, and into bio-medicine which the co-operative cutely calls "molecular pharming", has run ahead of profitability. Last year's turnover of FFr4.2bn (before the Jacquet purchase) produced profits of only FFr45m. "So we will probably concentrate on consolidating our business for a while," says Mr Renaud de Tastes, Limagrain's communications director.

A couple of clouds hang over Limagrain's business. The French government's attempted crackdown on public health spending could mean that some of Limagrain's customers might be denied state reimbursement of some of what they spend on the co-operative's homeopathic medicines. Farm acreage reductions, stemming from reform of the Common Agricultural Policy (of the EC), and the General Agreement on Tariffs and Trade, have also affected both the co-operative's shareholders and its clients.

"So we are trying to get better output from our traditional seeds and to develop those for industrial use such as rapeseed for the rubber and paint sectors," says Mr de Tastes.

But beyond the Limagrain 500, there are another 55,000 people employed in Auvergne's agriculture and food processing sectors, an industry that generates nearly 5 per cent of gross regional product. About one fifth of this comes from crops, ranging from cereals and the Le Puy green lentils grown on the high volcanic plateaux of Velay, to tobacco.

Most of the tobacco grown in the area is of the unfashionable dark variety, but Seita, the newly privatised tobacco company, has a large modern manufacturing plant at Riom which, fortunately for local employment, makes the better-selling blond cigarettes. Wine, if it can be called a crop, is also making a comeback in the region.

Predominantly, however, the region's produce is based on its animals, chiefly on its large cattle herds of white Charolais and of the Salers, Aubrac and Limousin breeds, but also sheep, pork and poultry. Some of the meat, such as hams and dry pork sausage, is cured using artisans' methods, but the need for more industrial processing has attracted the attention of foreign investors, such as Queally of Ireland which is establishing a new slaughterhouse in the Allier department with the creation of 160 new jobs.

The region's biggest speciality is its five appellation d'origine contrôlé cheeses (out of a total of 32 AOC cheeses in the whole of France). They are Cantal (from the Cantal department), Bleu d'Auvergne, Fourme d'Ambert (France's answer to English Stilton), St Nectaire and Salers (the latter has the distinction of being purely a farmhouse-made cheese).

> Despite Gatt reforms, world demand for animal vitamins is rising

But such is the variety of the region's agro-industry that, at the other extreme to the Salers cheese-makers, is Rhône-Poulenc's animal feed operation at Commentry, near Montluçon in Allier. This factory is the French chemical company's sole producer of vitamins for animal feed, putting it third in the world behind Hoffman La Roche of Switzerland and BASF of Germany.

The plant was started 50 years ago to make feed supplements out of cod liver oil. Today, the 850 people who work at Rhône-Poulenc's Commentry now make vitamins A and E synthetically.

Mr Roland Goetz, the factory director, acknowledges that if he was making a high-volume product, Commentry might not be the ideal location for products, because 40 per cent of inputs are imported and 80 per cent of output is exported. But his products are low-volume (a few grams go into a tonne of feed) and high-value; the 4,000-5,000 tonnes of vitamins which Commentry produces each year are worth FFr3bn, making the Rhône-Poulenc factory Auvergne's second-biggest exporter behind Michelin.

Despite European and Gatt reforms in farm trade, world demand for animal vitamins is rising on average at 5 per cent a year, reports Mr Goetz. His company already has animal feed operations in the US, Spain, Brazil and ambitions to expand in Russia and China. But the products are first tried out locally at Rhône-Poulenc's experimental farm at Commentry. "I am the only Rhône-Poulenc director responsible for 60 cows and assorted pigs and poultry," says Mr Goetz.

New technology: by David Buchan

Synergy is the key word

The multiplicity of electronics and computers in the region has made it a natural location for research into 'open systems'

Synergy – a combination that produces something greater than its component parts – can be a pretty empty concept until you see it in action, in a place such as Grenoble. For in this mountain-locked city there is plenty of positive interaction in its high-tech world of micro-electronics.

First, there is the mix of the historic disciplines of mathematics and physics in Grenoble's universities with the region's early speciality in electricity, generated with the water tumbling off the hills – a combination rewarded by post-war French government decisions to locate much of the nuclear research effort around the city.

Pre-eminent among the city's international research centres is the doughnut-shaped European Synchrotron Radiation Facility, and among French national research centres is the Atomic Energy Commission (CEA) employing 2,600 people and the smaller Inria information technology and automation institute.

Then there is the evident attraction that all this public research has evidently exerted on private companies, drawing in 15,000 private-sector jobs in electronics, computer software and hardware. Finally, there is the pulling power that private companies exert on each other. Many of the 140 foreign companies in Grenoble are electronic specialists, and many of them are American, such as recent arrivals Sun Micro Systems and SCI Systems.

SCI Systems was drawn in by the fact that it is a large subcontractor of Hewlett-Packard, a long-time resident of the Grenoble region. The multiplicity of electronics and computers in the region has made it a natural location for research into "open systems", the interconnectability of rival computer systems. This is what Bull, the French computer group, specialises in at Grenoble.

At the heart of much of this synergistic activity is SGS-Thomson, itself the result of the 1987 merger of Thomson Semiconducteurs of France and SGS Microelettronica of Italy. SGS-Thomson, called by its employees simply 'ST' for short, is, after the Schneider electrical group and Rhône Poulenc chemicals, the third-largest employer in the Grenoble region.

In the city itself, ST is still making chips on a relatively old site which would have been closed a couple of years ago if it were not for rapidly growing demand for products that are not yet in adequate supply from other, newer facilities. And even when it is shorn of manufacturing, the Grenoble site will still remain the management headquarters for video, telecoms, image processing, and programmable products, employing nearly 1,000 people.

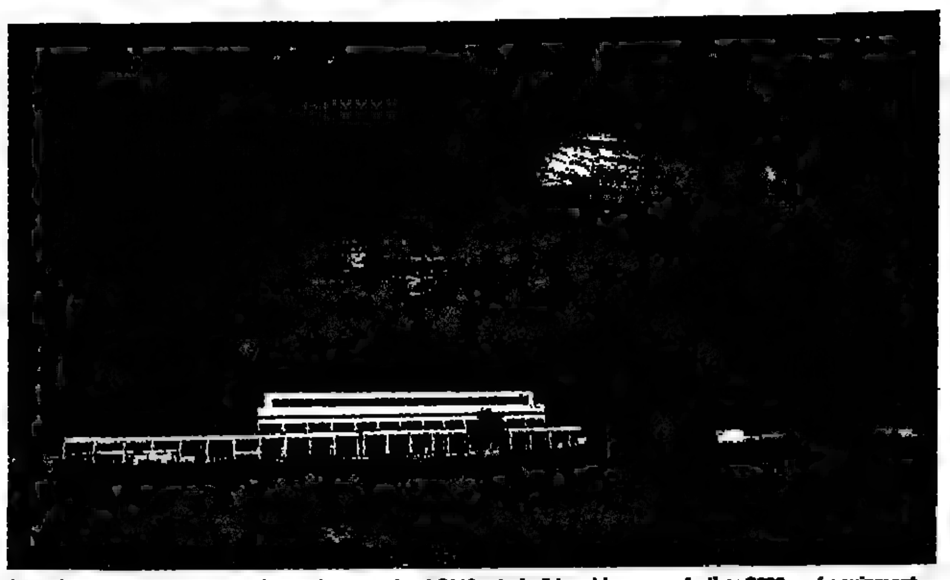
> ST also has a separate joint research effort with CNET

About the same number now work at ST's newer plant at Crolles to the north of the city. Some 750 are ST employees, and among the rest there are permanent teams from CNET, the research laboratory of France Telecom, and from Philips, the Dutch electronics group with which ST works permanently on process technology.

Its operations manager is Mr Mike Thompson, 39, a Scot recruited from Inmos which ST bought in 1989. Under Mr Thompson, the new Crolles plant – which cost about $110m to build and which houses a further $600m of equipment – is now turning out chips worth some $1bn a year for computer, telecoms and multimedia use.

"At Crolles, we introduce on average one new prototype every day," says Mr Joel Monnier, ST's corporate vice-president for research. Using what he calls "concurrent engineering", Mr Monnier says, "we have to develop three or four generations at any one step" in a constant drive to get smaller, more advanced chips – "but at a cost affordable by the consumer".

In meeting this challenge, ST gets some local help from the Grenoble Submicron Silicon Initiative, dubbed Gressi in clear imitation of the wider Joint European Submicron Silicon Initiative (Jessi) in which ST, like Philips and Siemens, is a leading participant. Gressi is a local joint venture, dating from 1991, between France Telecom's CNET research centre, and the Atomic Energy Commission's Leti (Laboratoire d'Electronique et de Technologie de l'Informatique) laboratory.


ST's plant at Crolles, north of Grenoble, cost about $110m to build and houses a further $600m of equipment

The latter has now gone far beyond its original nuclear-related brief and is now very active, as Mr Joel Hartmann, one of its microelectronics experts explains, in advanced research. ST is striving to make its silicon wafers, at present about 0.5 of a micron, as hair-thin as 0.18 of a micron, and if it does, its success will be largely down to Leti's efforts. Further downstream, ST also has a separate joint research effort with CNET into chips for telecoms, although when it comes to manufacturing ST is on its own.

But Grenoble provides ST with another striking form of synergy, this time on the semiconductor design side, in the form of a joint venture with the local part of Thomson Multimedia, the consumer electronics part of the Thomson group. Together, the two have developed the MPEG, which has become the industry standard and whose immediate use is in digital set-up boxes to receive digital satellite TV broadcasts.

With all the new alliances that international media groups are forming in digital satellite broadcasting, business is booming. "Our MPEG has 90 per cent of the market," says Mr Guy Lauvergeon, head of ST's image processing. He admits "this cannot last, because others are coming into the market". But for the present, it has had the effect of making ST and Thomson Multimedia each other's biggest customer.

The Thomson group is scheduled for privatisation this year. But ST does not seem to be in the least tempted to bid. ST clawed its way into a profit of $526.5m last year, but has its own enormously expensive expansion to fund, and there is the added complication that Thomson owns 17 per cent of it.

Besides, as Mr Philippe Geyres, ST's vice-president for programmable products, points out: "One of our strengths is that we do not compete with our customers", unlike the Japanese chipmakers and Motorola, Siemens and Philips which are also chip-users.

This concentration in chip-making "could be a weakness if we were to become cut off from systems know-how", Mr Geyres admits.

But, in fact, ST works extensively on systems through its extensive alliances with Alcatel, Northern Telecom, Marelli of Italy, Seagate and Western Digital of the US, while in manufacturing it made alliances, first with Siemens and most recently with Samsung of Korea.

Grenoble's water supply: by David Buchan

Face-saving deal bucks the trend

Removal of the special water 'tax' will allow the price of water to be reduced from FFr13.60 per cubic metre to FFr12

Something unique has happened in Grenoble. The city has just renegotiated its water contract with Lyonnaise des Eaux to put majority control of the service back in municipal hands.

This goes against the trend of recent years that has led an ever-increasing number of French cities to contract their water services out to France's private water utilities, such as the Lyonnaise, Generale des Eaux, and smaller subsidiaries of Bouygues and St Gobain.

The result is that 80 per cent of the French population now drink water cleansed and distributed by private companies, in sharp contrast to other services such as electricity and gas which remain solidly in state hands.

The facts surrounding Grenoble's move are also unusual. Mr Alain Carignon, the former Gaullist mayor who gave Lyonnaise the water concession in 1989, has been found guilty of corruption and taking kickbacks, although he is still appealing against his three-year prison sentence.

While maintaining that it did nothing wrong to get the 1989 concession, the Lyonnaise has accepted the complaint of the local Cour des Comptes that Mr Carignon acted improperly in getting the Lyonnaise to add an extra FFr15m to the water rates, which was unrelated to water services and which went straight into the city budget.

Mr Gerard Payen, head of Lyonnaise's water division, admits "there was no real justification for this 'tax' on water".

The upshot is that Lyonnaise and Mr Michel Destot, the new socialist mayor, have come to a new arrangement.

The city is to take 51 per cent of a new joint company (leaving Lyonnaise with 49 per cent) which will supervise the water concession that Lyonnaise will manage through a newly-created subsidiary.

Removal of the special water "tax" will allow the price of water to be reduced from FFr13.60 per cubic metre to FFr12.

Finally, a watchdog committee of water-users has been set up to supervise the remaining 19 years of Lyonnaise's 25-year water concession.

The deal seems to be one of those ideal face-saving arrangements in which each side can claim to its own constituency that it got the better of the other side in the negotiation.

Lyonnaise is clearly delighted to have ended the Grenoble controversy that threatened to blight its fast-growing water business abroad. With an eye on his shareholders, Mr Payen notes that in recognition of Lyonnaise's investment in the Grenoble contract over the past six years, 80 per cent of the dividends on profits will still go to the company.


Grenoble: prior to 1989 the city was dumping untreated sewage and waste water straight into the Isère river

Equally, with an eye to placating ecologists on the city council who feel he has been too soft on the Lyonnaise, Mr Destot says that Lyonnaise may be getting 80 per cent of zero. The future price of Grenoble's water has been indexed on inflation and to compensate Lyonnaise for any shortfall in water consumption. But the mayor insists it will almost certainly not allow Lyonnaise to recoup much on its past investment. However, he does not think Lyonnaise will mind. Grenoble's FFr50m-a-year water business is "a drop in the ocean for la Lyonnaise", he says.

Will this case turn the tide in France and lead more cities to take back direct responsibility for their water? Probably not. Simply because most French cities do not have the resources available to the private utilities to meet the ever-growing challenges posed by tighter national and European regulations on clean water.

This was one reason why Grenoble's water was privatised, says Mr Payen. The city needed Lyonnaise's investments to put an end to its own practice, prior to 1989, of dumping some of its sewage and waste water untreated straight into the Isère river.

Equally, however, the next few years are likely to see a halt to further water "privatisations" and the introduction of water-users committees, which Lyonnaise claims to welcome.

Meanwhile, Mr Destot, a youthful-looking 50-year-old, is keen to refurbish Grenoble's image abroad because foreign investment has always been important to the city. A former nuclear engineer, he eventually branched out of public research to head a small private company specialising in simulators for operators to practise controlling nuclear power plants and TGV trains. He says he is conscious of the need to get more companies to establish themselves in the city. His margin of manoeuvre is narrow. "The city's debt is high, but we can't raise taxes because they, too, are high".

So Mr Destot has other ideas in mind to attract investment. In particular, he wants to see the TGV line extended from Lyon's Satolas airport to Grenoble, so that his city will be only half an hour by high-speed rail from a big airport. "The third French airport *should not be* around *Paris*, but at Lyon, serving Grenoble", says Mr Destot, adding that he has the support of Mr Raymond Barre, the mayor of Lyon, on this issue.

The Grenoble mayor sees wider benefit in a closer relationship with Lyon, to marry that city's industrial and financial muscle with Grenoble's scientific and high-tech facilities. With the children of Grenoble's foreign microelectronics specialists in mind, Mr Destot also wants to see an international lycée in Grenoble.

PROFILE **Valence**

Focus on high-tech

Valence, the capital of the Drôme department, always has plenty of people passing through. It lies on the north-south A7 highway, Europe's busiest, and is the starting point for the A49 for Grenoble, Switzerland and Italy and points further east and south.

Apart from its need for a second bridge over the Rhone and into the Ardeche department, Valence's transport links can almost be described as too good. They reinforce the city's image as a *point de passage*, a place on the way to somewhere else... and new links sometimes have perverse effects. The arrival, for example, of the TGV which puts Valence only 2¼ hours from Paris has also led to the end of the scheduled air service to Paris.

So Valence is mounting a big effort to pin down some of these passers-by and get them to sink roots and investment into the city and the surrounding region – and thus help reduce the 14 per cent unemployment rate.

The city has an industrial tradition, based in the past on jewellery-making but now more on precision engineering, electronics, telecoms and paramedical equipment. It is this sort of clean high technology which Valence Major, the economic promotion agency for the greater Valence area of 120,000 people, hopes will come to its new science business park at Lautagne, a 120-hectare plateau on the city's southern rim.

Valence is also trying to develop itself as a helicopter technology centre. This is certainly challenging, given the poor state of both the civil and military helicopter market, but not completely surprising.

The city is home to a French air force helicopter test unit and is only 100km from Eurocopter's main assembly plant at Marignane. Sextant Avionique, the leading French and European avionics company, has its "helivionics" division as well as many other activities based at Valence. Valence will host the "Heli-Prospective 96" conference on May 21-22.

Sextant is one of the rare examples of restructuring to have preceded the reforms now under way in the French defence industry. It is the result of the 1989 decision by Thomson and Aérospatiale to put seven relatively small electronics companies which they owned into a joint company. At the outset it was split equally between the two parents, but in recognition of its greater affinity with the nature of Sextant's business, Thomson raised its stake in Sextant to two-thirds two years ago.

Last year, Sextant's sales were FFr4.8bn, most of it in avionics but about 20 per cent in automation systems, due to the fact that one of the seven companies that made up Sextant was Crouzet, based in Valence, with an automation division. Sextant has 950 employees in Valence, accounting for nearly one-sixth of its total workforce. Apart from being responsible for helicopter and space activities, Sextant at Valence also specialises in navigation and sensor equipment for the rest of the group.

> Bombardier of Canada chose Sextant over US alternatives

Thus, Sextant is refitting the Franco-German Transall with navigation equipment, and providing the central navigation system for the Franco-German Tiger helicopter and for the Ariane 4 and 5 space rockets, while providing global positioning systems for Alitalia.

Mr Jean-Loic Galle, the head of Sextant at Valence, says that in sensor equipment at least, his company and the local authorities are mounting a big effort to get more local laboratories, universities and suppliers involved. Laboratories in nearby Grenoble know a great deal about the use of quartz and silicon in micro-sensors.

The seven companies out of which Sextant was formed were "totally tied to the French aerospace and aircraft companies like Aérospatiale and Dassault", says Mr Galle. But today nearly 50 per cent of its production is exported, providing competition to the two big US avionics companies, Honeywell and Rockwell Collins.

Most of Sextant's exports are still in the form of equipment embedded in Airbus aircraft or Eurocopter helicopters, but Mr Galle says that by 1998 "most of our exports will be direct to foreign customers".

Among these "direct" foreign customers are Bombardier of Canada, which chose Sextant over US alternatives to be the prime contractor for the complete avionics system on its Dash-8 (Series 400) regional aircraft. "This is the first time we have supplied a complete package," says Mr Galle. Putting new avionics into Soviet-era aircraft is also proving a fruitful market. Sextant is retrofitting avionics into India's MIG-21 aircraft and even into Russia's MIG-AT trainer jet.

Any foreign business is welcome, to offset the defence equipment squeeze at home, ordered by President Chirac partly to help meet the higher pay costs of recruiting volunteers for his future all-professional army. Already, one programme – the Future Large Aircraft military transport – has been cut out of the French defence budget, unless the industrialists such as Sextant can propose ways of making it much more cheaply.

Sextant is also heavily involved in the Rafale fighter and the Tiger and NH-90 helicopter programmes, but so far these have been spared from the government axe.

The forthcoming privatisation of its majority shareholder, Thomson, casts a note of doubt on Sextant's future. Two years ago, Sextant and the avionics division of Allied Signal of the US tried to pool their businesses into a mammoth joint venture. They failed, because in the end each side wanted some sort of control over the other.

It is possible such a project might be revived, although the increasingly fierce nature of transatlantic defence competition is now even less propitious to such a Franco-American venture. Perhaps more likely is a bit of cross-border restructuring within European avionics.

If discussions of an alliance between Thomson and GEC of the UK were to be revived during or after the former's privatisation, then GEC avionic display speciality might fit nicely into Sextant's wider avionic business.

David Buchan

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WORLD WATCH AND CLOCK INDUSTRY

Fewer makers, more sales

Michael Balfour surveys the global wristwatch manufacturing industry, as the World Watch, Clock and Jewellery Show opens in Basel today

The American social philosopher Lewis Mumford wrote: "The watch, almost more than the steam engine, was the real protagonist of the Industrial Revolution." Certainly, time is today of such importance to our lives that most who can afford to possess a wristwatch do so – 1,100m were sold last year around the world – and many people have more than one.

The practice of wearing wristwatches dates back only to the first world war when they were introduced for synchronisation in the trenches. They never left the wrist again. Before then the habit was considered foppish, and the writer Oscar Wilde did little to further the appeal of the early "wristlet" watches by strapping a pocket watch over his velvet cuff.

After the war manufacturers on both sides of the Atlantic combined the mass production techniques introduced during the war years with the creative virtues of the Art Deco style. Thus the wristwatch became both beautiful and useful and, as such, came to be seen as an acceptable jewellery item for men to wear.

Since then, the trade has contracted dramatically in terms of numbers of manufacturers, while unit output has continued to rise. Today there are no volume manufacturers in either the US or the UK. But large numbers of timepieces are still produced in Russia and India. China, Hong Kong, Japan and Taiwan all make watches in vast numbers, almost all powered by quartz movements. Many of these countries are also the source of counterfeit products, a global problem that internationally ratified policies are attempting to combat.

Expansion is setting the tone at Basel '96, this year's World Watch, Clock and Jewellery Show, Europe's largest and most widely attended trade fair for the jewellery industry. The show, which runs from today until April 25, has plans to increase its space through a substantial rebuilding programme.

With this in view, president of this year's exhibitors' committee, Mr Jacques J. Duchêne, director of external relations at Rolex, will no doubt be addressing himself in the months to come to that perennial problem for all top trade exhibition organisers: how to control the numbers and quality of exhibitors. Mr Duchne succeeds Mr Raymond Weil, from the company that takes his name.

Participating in this year's show are 2,271 exhibitors (watches and clocks 595; jewellery 1,324; related industries 352). Of these, 22 per cent of exhibitors are from Germany, 20 per cent from Italy, 18.5 per cent from Switzerland, 11 per cent from Hong Kong, 8 per cent from France, and 3.5 per cent from the Iberian peninsula. This year Australia, China and Mauritius are exhibiting for the first time.

While the pattern of trade for 1995 remains largely unchanged from recent years, Switzerland – for centuries the traditional leader in watchmaking – has watched its margins coming under increasing pressure in its export markets, because of the strength of the Swiss franc.

> The value of Swiss watch exports fell in 1995

After 10 consecutive years of improvement, the value of Swiss watch exports, which account for 8 per cent by value of all Swiss goods sold abroad, fell by 3.6 per cent in 1995.

Similar pressures affecting other industries are one reason for a Swiss government forecast that the economy would grow by only 1.25 per cent in 1996, a figure already thought to be optimistic.

Nevertheless, according to estimates by the Japan Clock and Watch Association, for the first time in 20 years Switzerland overtook Japan in 1995 as a watch producer, with 38m complete units against 30m. But leadership in the highly automated manufacture of movements easily stays with Japan, with 411m against Switzerland's output of 97m.

The dominant centre for assembly, however, is Hong Kong, where approximately two-thirds of the watches produced worldwide in 1995 were put together.

Rapid growth in demand in neighbouring China can only help to consolidate this position. At the recent Asia-Pacific Economic Co-operation summit in Osaka, Chinese president Mr Jiang Zemin announced that China is reducing import tariffs by a minimum of 30 per cent on more than 4,000 items during this year. These items include watches, and Hong Kong is the main conduit for their entry into China's vast markets. Last year some 120,000 wristwatches were sold there daily. Small wonder that China is exhibiting at Basel for the first time this year.

The "quartz revolution", engineered by Japan in the early 1970s, has meant that a watch can be bought for £1 which is as accurate as a model costing £10,000.

Nevertheless, as watchmakers know full well, most people perceive that they are judged by what they wear on their wrists. "The average selling price of watches has risen quite dramatically," says Mr Ian Dahl, the newly appointed group chief executive of the Asprey Group.

"People are clearly purchasing watches both as an item of jewellery and as an investment from a collector's point of view. Specialist brands such as Ebel, Jaeger-LeCoultre, Patek Philippe and Chopard are all doing particularly well. We also have good success with Rolex," Mr Dahl says.

"The industry in general is set to remain buoyant. There is a developing interest by the consumer in quality watches and there is a surge of demand for high-quality Swiss mechanical movements," he adds.

"We are selling the 'Swiss Made' label as a clear indication of quality and this appeal certainly impresses the customer who is looking for reliability, discreet fashion and not purely an innovative watch," says Mr Stuart Laing, managing director of Laing the Jeweller, with outlets in Glasgow and Edinburgh. The company acquired Parkhouse & Wyatt in Southampton last year and Mr Laing is also chairman of the Houlden Group, independent quality jewellers which, like independent hoteliers, have come together for joint buying, marketing and training services.

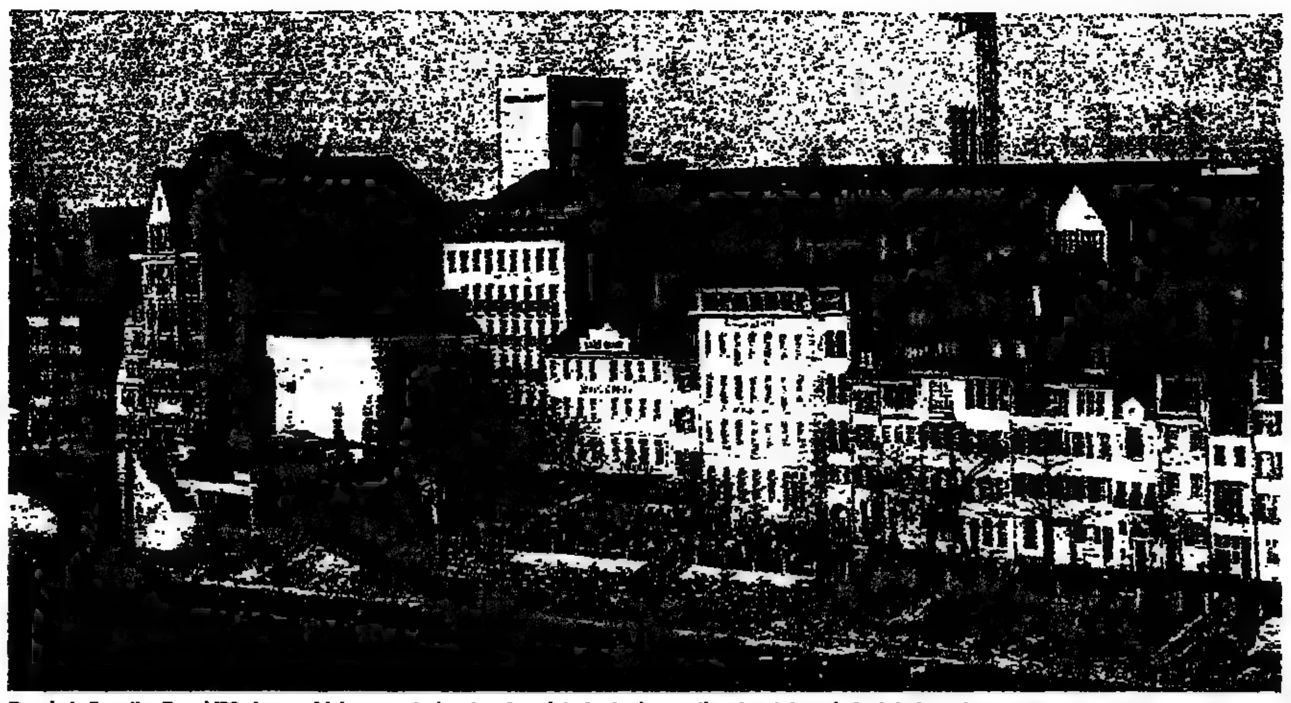
Mr Laing says that the sports watch is still favoured by the younger buyers. "We see Adidas and Ellesse filling price points as TAG Heuer jumps up the price league."

He also reports that the all-steel product is enjoying growing popularity. This year in Basel, both polished and brushed stainless steel products are everywhere. Junghans and Rado, in different ways, make effective use of ceramic cases, and more will be seen of this durable metal substitute in the coming months.

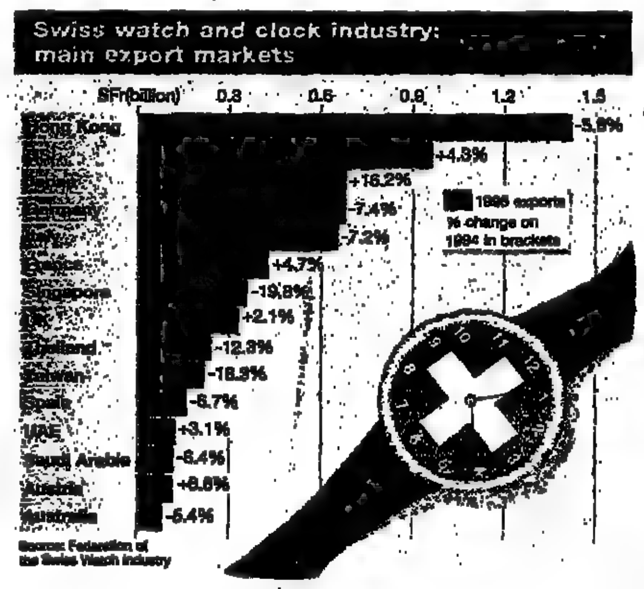
Branding is all in the watch trade. Just as, for example, LVMH, the luxury goods group, controls champagne labels such as Dom Perignon, Moet & Chandon, Veuve Clicquot, Pommery, Ruinart, Mercier and Canard-Duchêne, so the quoted Vendôme Group has watch brands as diverse as Alfred Dunhill, Baume & Mercier, Cartier and Piaget.

This diversity was demonstrated at its recent annual Salon International de la Haute Horlogerie in Geneva. Prominent features of the event were Alfred Dunhill's new versions of its successful Millennium chronograph, now in a combination of brushed and polished stainless steel, and the Londinium Collection, to which a polished stainless steel version has been added.

Michael Balfour researched and wrote all the articles in this survey. He is contributing editor of International WristWatch, *and author of* The Wristwatch Almanac *(Eric Dobby Publishing Ltd, 12 Warnford Road, Orpington, Kent BR6 6LW; £6.99).*



Basel skyline: the Basel '96 show, which opens today, is a key date in the international watch and clock industry's year



Old skills, new markets: a watchmaker at work at the Blancpain watch factory near Lausanne

■ Switzerland

Swiss firms defend brand

The country's manufacturers are guarding their long-established reputation fiercely

The phrase "Swiss Made" which appears on the dials of Swiss watches is one of the oldest examples of national branding. The two words comprise a registered and fiercely-protected trade name which can be used only on watches and clocks containing at least 50 per cent Swiss-manufactured components by value. To qualify, the watches must have been assembled and started up in Switzerland. Their manufacturers are also subject to official technical inspection.

According to the Federation of the Swiss Watch Industry, the value of Swiss watch exports in 1995 amounted to SFr7.67bn ($6.3bn). This figure – 8 per cent of the total – made watches Switzerland's third biggest export.

The country's watchmaking industry has a long history.

> At one time more than a quarter of the population of Geneva were involved in watchmaking

The Watchmakers' Guild of Geneva was established on January 19, 1601, and was strictly governed by a set of rules called the *Ordonnances et Reiglement sur l'Etat des Orlogiers*. Following the revocation of the Edict of Nantes in 1685, Huguenots were forced into the Jura mountains, in and around La Chaux-de-Fonds. Geneva became a kind of of Protestant Rome where craftsmen forbidden to make jewellery turned their skills to the *Fabrique* – watchmaking.

During the course of the last half of the 17th century, the old practice of making one watch in a single workshop slowly died. In came individual casemakers, spring makers, key cutters, lapidaries, glass makers, balance cock decorators and, by 1679, makers of complete *'ebauches* (raw watch movements, ready for specialist refinements). By 1786 Geneva was producing about 50,000 pocket watches a year. More than a quarter of the city's 16,000 inhabitants were engaged in some aspect

Continued on page 3

■ **Watch groups**

Strong brands dominate

A network of shareholdings and business links connects the great watchmakers

Some of the world's most famous and oldest watch brands are still owned by private companies. They include Audemars Piguet, Chopard, Corum, Girard-Perregaux, Patek Philippe, Raymond Weil, Ulysee Nardin, Vacheron Constantin and Zenith. The mighty Rolex enterprise, the biggest maker of them all, is still controlled by family trusts.

Eterna, which established its brand of pocket watches in 1876 but was founded in Grenchen in 1856, has just been acquired by Porsche. Eterna set up a production line in 1870 to turn out *ébauches* (incomplete movements ready for additions of escapements, mainsprings and timing systems). Later the facility became ETA, and is now one of the largest movement makers in the world, and is owned by Société Suisse de Microélectronique et d'Horlogèrie SA (SMH).

SMH now controls the world's biggest group of watch brands, and such is the strength of the individual brands it can come as a surprise to find that they belong to the same owner. They include:

- Blancpain, a manufacturer of classic, mechanical wristwatches founded in 1735;
- Certina, whose name, adopted in 1948, is derived from the Latin for "reliable";
- Endura, which manufactures private label pieces;
- the children's brand Flik Flak;
- Hamilton, the maker of the world's first electric wristwatch. Established in Pennsylvania in 1892 it is being relaunched this month with a stress on its American origins;
- Longines, the oldest Swiss watch brand registered with the World Intellectual Property Organisation.

SMH's other brands are Mido, Omega, Pierre Balmain, Rado and Tissot.

The company's high-profile chairman, Mr Nicolas Hayek, inspired the creation of its biggest selling line, the Swatch, in response to the flood of inexpensive Japanese quartz watches which entered the world's markets in the 1970s. More than 180m Swatches have now been sold, and some of the earliest have become collectors' pieces. On sale in more than 70 countries around the world, Swatch will achieve global attention this summer – as the official timekeeper at the Olympic Games in Atlanta. Swatch buyers are attracted by the cachet of constantly updating their timepiece, and by the brand's youthful image.

The ETA division is the development centre for all new Swatch products. It has produced the Swatch Scuba, which features the new Loomi electroluminescent glow dial, and musical rhythms for the MusiCall watches. ETA SA Fabriques d'Ebauches is now a very large horological and

Nicolas Hayek: he pioneered the hugely-successful Swatch

microtechnical production complex. It has factories in 12 Swiss locations, three in France, and one each in Germany, Malaysia and Thailand.

For low-priced quartz movements, Hong Kong is the world's largest commercial centre, but ETA is maintaining its market share through its offices in the colony, where it faces strong local competition and fierce price cutting.

SMH also owns the long-established mechanical movement manufacturer, Frédéric Piguet, which supplies many of the most prestigious watch brands. It has produced the world's smallest automatic movement and is constantly extending its power reserve durations – a key selling point in automatics.

Drawing on its capabilities in the electronics and miniature propulsion systems fields Swatch has formed a joint venture with car maker Mercedes-Benz to produce what it refers to as the Micro Compact Car some time next year. The vehicle has already been dubbed the Swatchmobile and is intended to convey the Swatch message – high quality, low price, *joie de vivre*, challenge, original design, and constant innovation.

Les Manufactures Horlogères (LMH), another big watch business, is a subsidiary of the German conglomerate Mannesmann. This company owns International Watch Company of Schaffhausen (IWC), which is known for its Da Vinci and pilots' timepieces, the long-established A. Lange & Söhne of Glashütte, and a big holding in Jaeger-LeCoultre., the Swiss watch and movement maker.

The powerful Hattori family in Japan owns brands such as Jean Lassale, Lorus, Pulsar, Seiko and Yema Paris.

More than 10,000 Gulf-based investors own a 45.6 per cent stake in Investcorp SA, a big investor in the world of clocks, watches and jewellery. It was founded in 1982 and is quoted on the Bahrain Stock Exchange. At the end of 1995 19.1 per cent of Investcorp's assets were in luxury merchandise. Previously it had acquired Tiffany, brought it back to health and successfully refloated it.

In 1993 Investcorp bought 100 per cent of the Gucci Group. Following reflotation in October 1995 the shares started trading at US$22 each; by the end of the year the market price had increased by 77.8 per cent. Investcorp and its clients now own 52 per cent of the equity.

The investment company also owns Breguet SA, one of the greatest of all watch names, as well as Société Nouvelle Chaumet and Ebel. In due course all of these companies will be floated.

Ownership changes are also taking place in distribution and retailing. Control of the UK retailer Asprey changed hands in November of last year, when Prince Jefri Bolkiah, a younger brother of the Sultan of Brunei, bought a 90 per cent stake for £243.5m.

He now monopolises the top end of the UK watch and clock retail market, as Asprey in turn owns the crown jeweller Garrard, Mappin and Webb, Hamilton and Inches, and 26 branches of Watches of Switzerland. The group says it plans to continue to develop the Watches of Switzerland stores as quality watch distributors in the UK, and may open in some selected overseas locations.

The long-established maker Girard-Perregaux (GP) is behind the highly successful Ferrari watches, which come complete with the famous Ferrari prancing horse emblem on their dials. GP's watches are distributed by Time Products (UK), which, under Mr Marcus Margulies, its chairman and a big shareholder, has built one of the leading portfolios of brand distributorships in the world. Watchmakers handled by Time Products include Audemars Piguet, Blancpain, Breguet, GP, Piaget and Vacheron Constantin.

Time Products also represents two recently-established makers – Alain Silberstein and Franck Muller – and, lower down in the market place, Russia's Sekonda brand and Apollo Watch Products, a strap manufacturer.

In March last year, Mr Margulies negotiated the purchase of 77.8 per cent of Audemars Piguet (Suisse) SA in what is regarded as a smart move in supply control, and, given his deep reserves, one that might well not be his last.

■ The sixth Salon International de la Haute Horlogérie opened five days ago, on April 13 in the Palexpo exhibition centre in Geneva. This is designed as an exclusive showcase for watchmakers in the Vendôme luxury goods group, which chooses not to exhibit at the annual World Watch, Clock and Jewellery Show opening today in Basel. The watchmakers involved are Alfred Dunhill, Baume and Mercier, Cartier and Piaget.

Exhibition space in Palexpo has been greatly increased this year, with elegant new designs for the booths and meeting rooms. A big feature of the event was the new Française from Cartier.

■ **Basel '96 preview**

Debutantes out in force

The show provides manufacturers with an international venue at which to unveil new models

The Basel '96 trade show is a key event in the watch and clock industry's year. Behind closed doors, and generally by appointment only, many of the world's leading manufacturers will show their new products to their agents and key buyers. This, along with the opportunity to exhibit to a wider public, is why, starting today, Switzerland's oldest university town for eight days becomes the world capital of the watch and clock trade.

A watch fair was first held in Basel in 1980. This year 595 companies and organisations involved in the watchmaking industry are exhibiting.

Mr Neil Duckworth, founder and managing director of Duval, exclusive distributor of TAG Heuer watches in the UK, comments: "Basel is the most important watch fair for Swiss manufacturers. It is truly international. Every single important person in the world of watches attends the fair, be they manufacturer, retailer or distributor. If they only visit one fair, this is it."

Basel '96 attracts plenty of interest from foreign manufacturers. This year, for example, a group of watchmakers from long-established German centres, such as Glashütte and Pforzeim, have come together under the name "Watches of Germany" to co-promote their products. The brands involved include Holborn, Landier, Nomos, Otto Kern, and Schlenker.

Old brands are sometimes revived at the Basel event. For example a group of investors has resurrected the name of Jacques Gevril, a legendary 18th-century Swiss watchmaker, and the new company has produced a full range of Gevril watches, comprising ladies', mid-sized, gentlemen's and chronograph versions, in both 18ct gold and stainless steel.

Similarly Perrelet, founded in Switzerland back in 1777, was relaunched last year at Basel. This year, in honour of its original founder, it again launched a range of 72 automatic wristwatches. They include the Perrelet Dipteros I which has an unusually large ruby on its central upper rotor.

This year Patek Philippe is showing the Quantième Annuel watch for the first time. The watch's patented mechanism is the first to indicate 30-31 day months on a yearly cycle. The dial, with its tritium-coated gold roman numerals and hands, indicates the day, month, and 24 hours.

> The event attracts a lot of interest from foreign makers

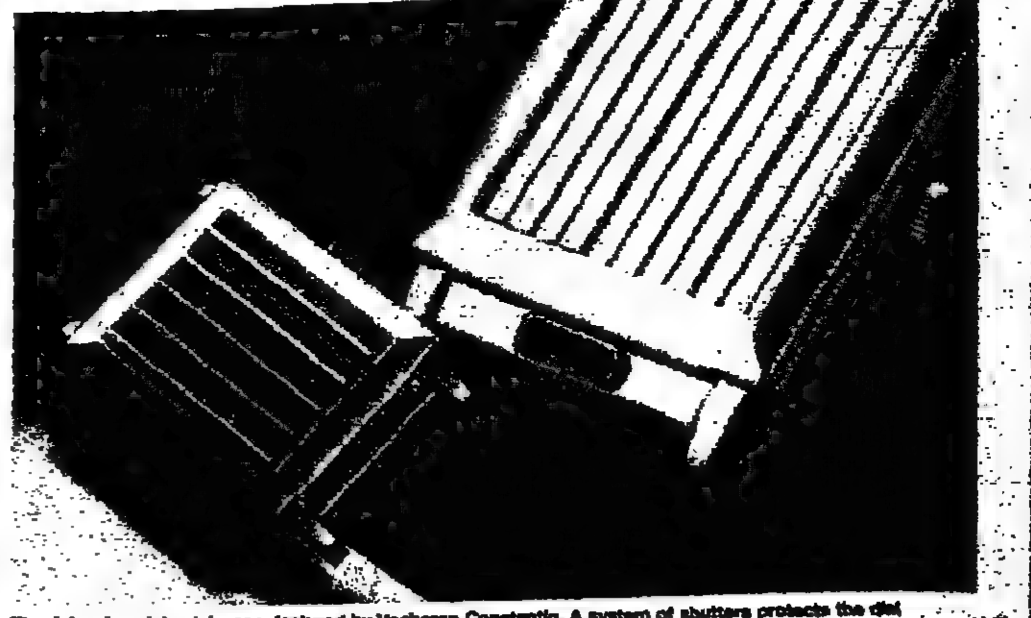
Audemars Piguet (AP) always has attractive new timepieces to show to its agents and buyers. This year at Basel it will show several commemorative models. The Millenary range celebrates the coming dawn of the third millennium. It has an unusual oval case, broadest on the 9-3 o'clock axis, which can house any of the brand's movements. Even some of its subsidiary dials are in the same oval shape.

The Carnegie model, also from AP, honours Andrew Carnegie, the ironmaster who became one of the world's greatest entrepreneurs during the last century. It comes in a variety of models, in 18ct yellow or white gold, diamond-set or plain.

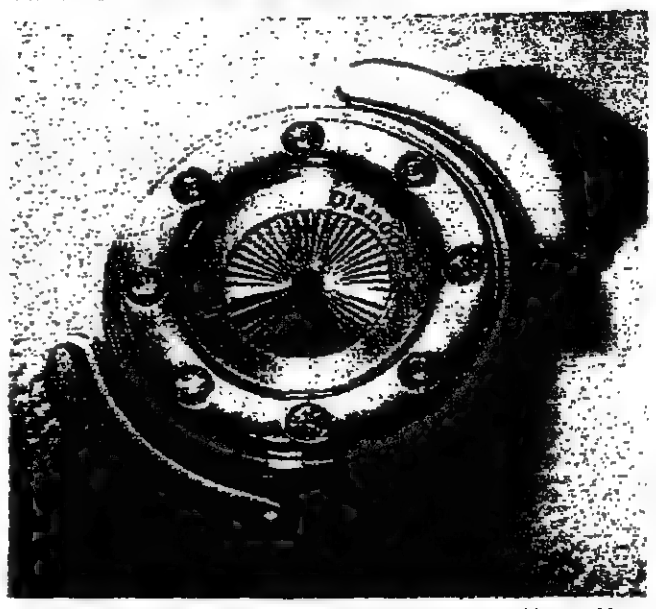
The recently-founded Daniel Roth, like AP, has also produced a watch with an unusual case shape – essentially circular, but with two straight sides – housing an automatic chronograph of great elegance in either gold or stainless steel. Its screw-down crown gives it water resistance to 30m, and its hand-crafted movement can be seen through its transparent sapphire back.

Jalousie is the name given by Vacheron Constantin to its new mechanical watch in 18ct pink gold. It has a unique system of shutters, which can be opened to read the time of day, or closed for protection. The shutters, which are similar to Venetian blinds, are operated via a small slide set with a cabochon sapphire on the lug setting below 3 o'clock. This eye-catching piece belongs to Vacheron Constantin's Les Historiques Collection, and echoes a 1930s' piece.

This year Zenith is presenting its Chronomaster Elite at Basel. This is the widely respected 18ct yellow gold Chronomaster now fitted with Zenith's own ultra-thin movement. Individually numbered, each watch comes with a five-year guarantee and a chronometer certificate. Its 18ct gold rotor can be admired through its sapphire caseback.



The Jalousie wristwatch manufactured by Vacheron Constantin. A system of shutters protects the dial



The Chameleon: turning the bezel reveals diamonds, emeralds or rubies

Three other new watches to look out for at Basel '96 are:

- Omega's new Constellation, which has a slightly domed sapphire over its dial and rounder lug treatment leading to a smoother bracelet than in previous models;
- Girard-Perregaux's *Pour Ferrari* chronograph range, intended to follow up on its Ferrari F50 watch last year, which was limited to 349 pieces, just like the car;
- Ebel's new automatic Modulor, a contender in the chronograph (stop-watch mechanism) market, which is also certified as a chronometer.

In terms of output Raymond Weil, with some 700,000 pieces sold last year, is very high in the numbers league. It produces high-quality wristwatches at affordable prices, including the well-known Parsifal range. It sells watches in over 70 countries.

The secret of Citizen's new Eco-Drive watch lies in its second battery, which stores the electricity generated by the solar panel in the dial. It comes in a wide variety of models, from simple function to multi-hand and alarm chronograph. The Eco-Drive system is so efficient that it needs only one minute of daylight or 15 minutes of electric light to power 24 hours of time-telling.

Almost 30 per cent of TAG Heuer's sales are of ladies' watches, in which the S/el series figures prominently. These are "sporty" watches positioned at the lower end of the market. In the mid-market are unusual timepieces such as DeLancau's Golden Dream, which has a shutter which slides open and shut over 54 ruby bearings (rather similar in conception to Vacheron Constantin's Jalousie), and Dianoor's Chameleon, in which the revolving bezel can be used to select diamond, emerald or ruby surrounds.

There are new models this year in Patek Philippe's Calatrava line. In one the bezel, with its four concentric rings of guilloché pattern, nicely underscores the *Clou de Paris* guilloché dial. Audemars Piguet is presenting an automatic Royal Oak Offshore for ladies with a date window at 3 o'clock. The Le Brassus-based company also has a ladies' version of its new Carnegie model.

Corum, of Admiral's Cup fame, is launching its new Arcus range of jewellery watches at Basel. These are distinctive for their oval shapes (down the 12 to 6 o'clock axis) and curved cases, with dials of mother-of-pearl or red lacquer.

Ebel today unveils its completely new quartz Shanta curved ladies' dress watch in 18ct yellow gold. It is notable for its open-work hinged cover and integrated open-work bracelet, and comes with a five-year guarantee.

Bulgari is the third largest jeweller in the world, and is still family-controlled. Its watchmaking activities go back to the 1940s and today it runs a sizeable operation in Neuchâtel. The well known Bulgari-Bulgari arrived in 1977, and its range is further extended this year at Basel. There is also a new automatic Squelette in 18ct yellow gold and a Rattrapante chronograph, in either platinum or 18ct gold.

Hermès has been producing highly individual watch designs since the 1920s, such as the Arceau, with its italicised Arabic numbers wheeling around the dial, the Kelly, with the watch set in the padlock on its strap, and the covered Medor. The dial of its Loquet wristwatch can be exposed in a trice. This month Hermès takes over its own watch distribution in the UK.

This year Tiffany brings three new complementary watches to its established Vannerie jewellery collection, with its basket-weave design motif. They are quartz, water-resistant and feature sapphire, scratch-resistant crystals, white dials and roman numerals.

Jaeger-LeCoultre has brought one of the most spectacular wristwatches to Basel. It is their new automatic Reverso Chronograph Retrograde in 18ct pink gold. This magnificent timepiece has been made in a series limited to 500, and looks set to become a collectors' item. Other limited editions include Omega's 18ct pink gold De Ville automatic chronometer, Kelek's Montre du Centenaire repeater, Mondaine's Swiss Railway Station quartz watch, and, that annual treat, another single jump-hour tourbillon, all hand-made by Kin Tai Yu in Hong Kong.

Among the less conventional watches being launched in Basel this year is Hublot's automatic Nénuphar, production of which has been limited to 99 pieces. The dial represents a water lilly, covered with enamelled frogs. Another unusual watch to look out for is Gérald Genta's Fantaisie, with a patented mechanical movement featuring a jumping dial and retrograde minute hand, with the cartoon character Mickey Mouse pointing out the minutes.

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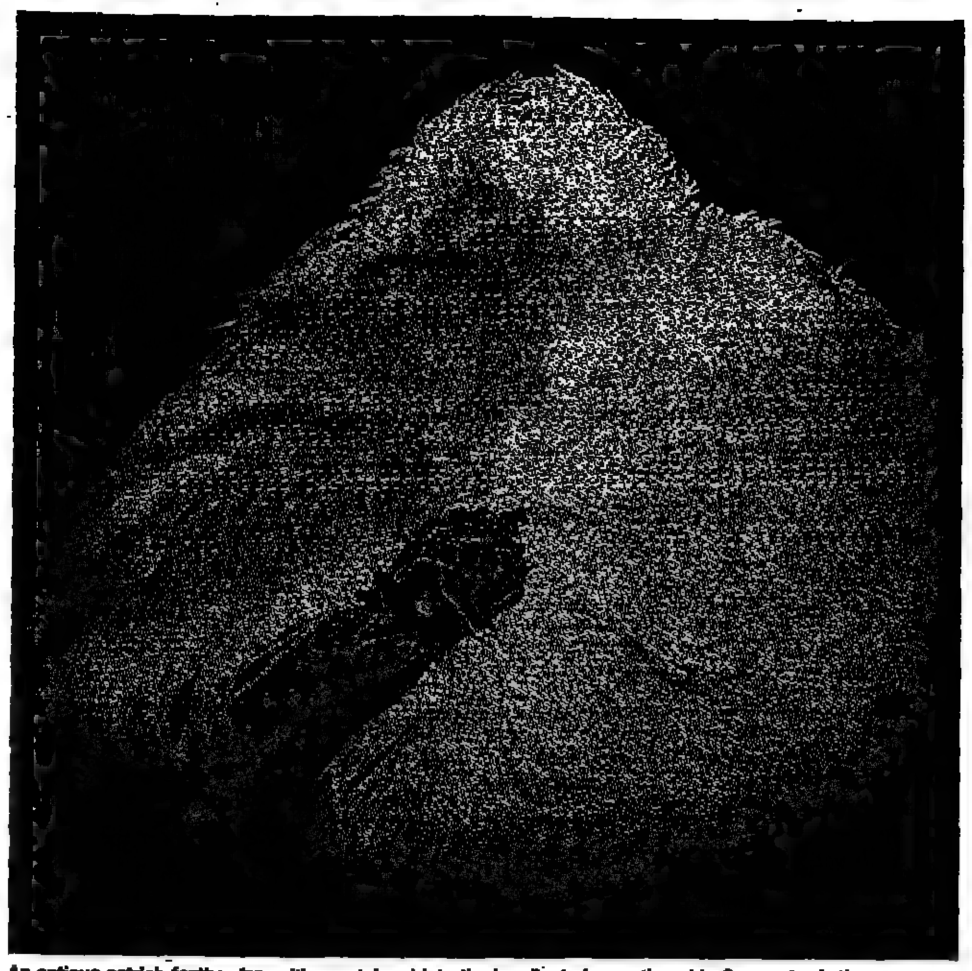
Collecting and investing

Status drives demand

Collectors have to do thorough research to be sure of getting value for money



An antique ostrich-feather fan, with a watch set into the handle, to be auctioned in Geneva by Antiquorum

The best timepieces are beautiful, useful and portable. They are also increasingly popular as investments. The stage may soon be approaching when new issues of, for example, limited editions from leading watchmakers, will be snapped up immediately by dealers seeking reliable homes for medium-term cash.

The reputation of the manufacturer is vital to this kind of demand. They have to be Swiss, long-established makers of mechanical pieces, and sparing in their use of new issues of this kind. The issues are generally tied to special events, for example, 25th, 50th or 100th anniversaries.

Commemorative wristwatches, engraved appropriately, soon create their own markets. Sometimes watchmakers choose to celebrate, say, their 150th anniversary, by making 150 copies of the same watch in the three different colours of gold – pink, white and yellow. Or the watches can be in three different sizes in the same metal.

If each watch bears a unique number in the production run, then it can quickly – to borrow a piece of stock market terminology – trade at a premium to its original sale price.

The importance of the manufacturer's reputation to a watch's value is confirmed by the tendency of watchmakers to issue timepieces celebrating anniversaries of their own.

Cartier will celebrate the 150th anniversary of its foundation in this way next year. The company, one of the world's great luxury goods brands, has just announced the launch of the Tank Française watch. It is a new line, available in four versions, which distinctly and intentionally will derive its inspiration from the original Cartier Tank wristwatch, which first went on sale in 1919.

Dealers in classic watches find that their customers are often the original manufacturers of the pieces, as they strive to build up their own in-house museums. Patek Philippe, for example, devotes a considerable budget to buying the few missing pieces needed to complete its remarkable collection.

Would-be collectors and investors can do no better than to preview watches on offer in the salerooms of leading auction houses. Experts are on hand during previews who will give freely of their knowledge and advice. Small regional auction houses may also produce the occasional bargain for the dedicated collector.

An inquiring mind is essential to the watch buyer. If a complicated timepiece seems attractive at its pre-sale estimate then it is important to request a demonstration of its various functions.

Sale catalogues are the text books of a horological education, and the "viva" of attending an auction on the day can be an enlightening and often money-saving experience. Buyers' and sellers' premiums, with their tax implications,

> Dealers in classic watches find that their clients are often the original makers

must be taken into account when contemplating a purchase. Ultimately hammer prices reveal the market popularity of particular models.

Collectors and investors without access to good salerooms can instead make use of local second-hand watch dealers and one-day markets. These may produce some bargains, but it is essential to ask questions. If you do decide to buy a timepiece, request a proper receipt, complete with watch description, and the original box and certificate too, if possible, particularly if a limited edition is involved.

Specialist journals are a good source of information for aspiring collectors. The bi-monthly journal, International WristWatch, publishes histories and profiles of leading watchmakers and their products.

Clock collectors often read the Horological Journal of the British Horological Institute, which has been published every month since 1858. The more recently-established Antiquarian Horological Society also produces a journal.

Surprisingly there is no association, club or society for wristwatch collectors in the UK, but their interests are well served in America by the National Association of Watch and Clock Collectors and its bi-monthly Bulletin.

What to collect? The best bets, which act as hedges against even the slightest monetary inflation, are either individual brands – which must be admired and well-researched – or a theme.

Limited editions are expensive to buy into, thanks to the strong demand they enjoy. Other popular themes to pursue, suiting pockets of all depths, include wristwatches that feature car radiator grilles and cartoon characters, early Swatches, 1970s LED pieces, Masonic and first world war military watches.

Contact numbers: Antiquarian Horological Society – 01580 200155, British Horological Institute – 01636 813795/6, International WristWatch – 0171 736 8670, National Association of Watch and Clock Collectors Inc – 001 717 684 8261 (UK codes).

Counterfeiting

Fakers' time is running out

Counterfeiting of luxury watches may not go on flourishing for much longer

A counterfeit Gucci 3000 series (right) and Gucci 9000 series (left)

Good counterfeit wristwatches find buyers because they look like the genuine articles, show the time accurately and are very cheap. The counterfeiters are so successful that last year their sales accounted for about 10 per cent of the global value of the wristwatch trade.

Along Bangkok's Silom Road, in the Patpong area, three words ring out above the hubbub, day and night: "Rolex, TAG, Cartier ... Rolex, TAG, Cartier". You need no Thai and only a few pounds to buy one. All you do is point to a model depicted in the legitimate manufacturer's own brochure, which is on display, and out comes a counterfeit version ... no box, no certificate, no receipt ... but a purchase which will fool many and even last a year or two.

Counterfeit wristwatches generally feel lighter than the real thing. Even the best lack attributes of the originals, for example: the name "Cartier" embedded in the number VII on the dial of the octagonal Santos; Gucci's double GG logo on the crown of its 9000 models; the five-digit model number, which should be between the case lugs at 12 o'clock on a Rolex; or the words "T Swiss Made T" at 6 o'clock on a TAG Heuer.

Fakes are going upmarket, however. Counterfeiters are now producing high-quality genuine 18ct gold cases to house their movements. Mr Marc Frisanco, who heads Cartier's intellectual property division in Geneva, comments: "They're getting more ambitious. It's a very serious problem."

His company has so far initiated more than 2,500 legal proceedings against fakers around the world. In 1995 it spent more than £3m protecting about 8,000 trademarks, 3,000 registered designs and 2,000 patents in some 125 countries.

Until recently counterfeiters only produced copies of products actually manufactured by the target company. But now the unwitting or unscrupulous can welcome fake Cartier ties, toothbrushes, shoes and condoms into their lifestyles – items which Cartier itself does not make.

Piaget, like Cartier part of the Vendôme group, discovered a complete fake Piaget shop in south China not long ago – resplendent in the company livery and well stocked with counterfeit fragrances, pens and watches.

Manufacturing jewellers exhibiting at the Basel '96 exhibition, which opens today, have been understandably reluctant to send out illustrations of their new lines in advance. They know that one picture in the wrong hands means instant forgeries from some far-off sweat shop.

It has been estimated that about 95 per cent of all counterfeit timepieces arriving in Europe do so through Belgium. Antwerp jewellers carry varied stock. The counterfeits mainly come from China and South Korea, and are immediately sold on to backstreet engravers all over the continent.

The EU is going to have to face up to the uncomfortable fact that Italy and Spain also produce large numbers of convincing fake wristwatches. The frontiers of member states are falling just as demand for the fakes is growing, making life easier for smugglers of counterfeit watches.

In the UK the Anti-Counterfeiting Group is very active in combatting brand pirates. It has produced a handbook for trading standards officers and urges strong law enforcement whenever a proven case of the manufacture or sale of counterfeit watches is discovered.

A large number of international bodies is fighting the fakers, too, including the World Trade Organisation; the Manufacturers' Association; the International Association for the Protection of Industrial Property; the World Intellectual Property Organisation, and the International Anti-Counterfeiting Coalition.

The Bienne-based Federation of the Swiss Watchmaking Industry, long known internationally as the "FH", which represents the interests of about 90 per cent of all Swiss watch manufacturers, also has an active anti-counterfeiting department.

Mr Alain Dominique Perrin, president and chief executive officer of Cartier, spoke for all manufacturers when he told delegates at a conference on brand piracy in London last September: "Counterfeiting is robbery."

The tide appears gradually to be turning against the fakers. The role of intellectual property rights within the world economic order was confirmed in Marrakesh in April 1994, when 116 countries ratified the Uruguay Rounds agreement.

The registration of trademarks in China is growing rapidly, following successive implementations of its Trademark Law of 1983. The State Administration for Industry and Commerce (SAFIC) approved the registration of about 80,000 overseas trademarks from more than 80 countries last year: "The number is not very big", reports Mr Zhang Tianji, a SAFIC official, "but the annual registration of overseas trademarks has kept on soaring in recent years." Registrations in 1991-1995 almost equalled those in the previous 40 years.

The Hong Kong Watch Manufacturers' Association was established in 1968 and operates a design directory intended to reduce counterfeiting. Hong Kong's many manufacturers believe that HK$300 is not a high fee for protection against imposters. Even in Thailand, the ranks of the vendors of Silom Road are thinning. In 1988 there were some 7,000 such street retailers. Now there are only around 100.

The UK's Anti-Counterfeiting Group can be contacted on 01494 449165.

Quartz put paid to many old firms

Continued from page 1

of horology. A guild apprenticeship system existed which was not dissimilar to that of London's Worshipful Company of Clockmakers, which was founded in 1631.

Watches and clocks were soon being assembled by *cabinotiers* (outworkers), and, in this respect, not much has changed. Throughout the high-sided valleys of north-west Switzerland, thousands of families maintain old skills, traditions and pride, and many of the original enterprises were set up then, as commemorated in the "depuis" dates proudly engraved on their products.

The so-called "quartz revolution" in the early 1970s badly disturbed the Swiss watch trade. Many makers did away with their old machinery and tools for mechanical watch manufacture, and, attempting to compete with the quartz-driven timepieces from the Far East, disappeared.

The best of the survivors have preserved their markets and a number of them are members of the Association Interprofessionelle de la Haute

> The industry in Switzerland has a well developed instinct for survival

Horlogerie (AIHH). This is a Swiss-based, independent, non-profit organisation, founded in 1993 under the guidance of its president, Mr Franco Cologni.

Mr Cologni, a vice-president of Cartier International, explains why he believes a defence of quality watchmaking through the AIHH is necessary: "Any close look at the market trends reveals the emergence of many disturbing factors, including a superabundance of supply, the frantic pursuit of profitability, unfair trading practices, such as the parallel market or unbridled discount offer, and the vanishing of sales skills specific to *haute horlogerie.*"

The main focus of the Swiss watch industry's long-established instinct for self-preservation, the Federation of the Swiss Watch Industry (universally known after its French title, as the "FH") is the result of a merger in 1983 between the Swiss Watch Chamber and the Federation of Swiss Watch Manufacturers.

Based in one of the great watchmaking centres, Bienne, the FH currently has about 550 members who together represent more than 90 per cent of all Swiss watch and component manufacturers.

■ Sports watches

Victors add kudos

Manufacturers are keen to give their products the appropriate sporting image

It is an Olympic Games year again. The world's greatest sporting occasion, which this year will be held in Atlanta in the US, has already produced a lot of marketing activity from Swatch, the brand that has been appointed official timekeeper to the games. Swatch belongs to the giant SMH group, and operates within its Swiss Timing division which also contains Longines and Omega. The latter companies have been timing sports events for decades, and Swiss Timing will attend over 170 big sporting events this year.

When the games begin in July, Swatch Timing, as the division will be renamed, will be using a video system called Scan 'O' Vision, with new digitised finish-line technology, to transmit colour images directly to giant screens in the stadia and to television sets all around the world.

TAG Heuer's latest addition to its 2000 series, in stainless steel

Among the wristwatches produced by Swatch to commemorate the Games is the Olympic Legends range. These have been designed in close association with ten famous athletes, including the runners Saïd Aouita and Sebastian Coe, and the swimmer Mark Spitz.

Many other wristwatch manufacturers are expanding their sports ranges. They have also caught on to the fact that chronographs and other multi-function gentlemen's watches are increasingly appealing to the ladies sector. Smaller ladies watches and the rarer mid-sizes do not often carry the added functions of gentlemen's watches.

Basel '96, the exhibition that opens today, demonstrates that there are timepieces with added functions for most outdoor leisure and competitive activities. Casio's G-Shock Altimeter is targeted at climbers, as is Citizen's Altichron. Sailors have long been familiar with Corum's Admiral's Cup Marées stainless steel and 18ct gold automatic model. This uses subsidiary dials to give information on: the lunar cycle, tide coefficients, high and low tide, and has a date window at 3 o'clock. The nautical pennants used in the international maritime code act as time markers.

Corum is promoting its black dial version, in a range which accounts for some 54 per cent of Corum's annual output. Mr Jean-René Bannwart, chairman of the family-owned manufacturer, says; "Our creative philosophy assumes that watches are indispensable as instruments to measure time. So let them also be beautiful and remind us of good times."

Atlantic, a recently-revived sporting watch brand, offers the Worldmaster range (with ladies' sizes), the Mariner Automatic Diver Chronograph, and the Skipper Automatic Regatta Chronograph. All have Atlantic's logo, a pair of compasses, at or near 12 o'clock. The Catamaran brand of Montres Consul is marketing itself heavily in association with motor, snow and water sports. Golfers are meanwhile the target market for Cartier's 18ct yellow gold Pasha de Cartier, which can keep and display four separate scores at the same time.

The recently refinanced TAG Heuer wristwatch company represents a successful marriage of the old and the new. Its progenitor, Techniques d'Avant-Garde, a technology investment company started in 1977, took the old 1860 Edouard Heuer watchmaking concern in hand in 1985, and the marque has now become the world leader in professional sports watches.

The brand name is constantly on-screen when Formula One Grand Prix motor racing is being televised, just one manifestation of the company's annual $100m marketing and advertising budget. TAG Heuer spends $15m alone on sports sponsorship.

The company's new 2000 series, a refinement of the original 1982 model with its 12-sided bezel, has the dubious distinction of being the second most counterfeited watch after Rolex variants. Still on the motor sport theme in Basel this year, TAG Heuer is presenting its Carrera B chronograph, with its prominent push buttons and black dial.

Breitling's watchmaking pedigree has been involved with the great outdoors since 1884. Its famous 1952 Navitimer put the brand on the horological map. Last year at the Basel Show, the Breitling Emergency was one of the undoubted stars. This year the world's largest makers of mechanical chronographs has rolled out no fewer than five limited editions. These are:

- a stainless steel Red Arrows chronograph, a total of 1,965 pieces of which have been made, commemorating the year the Royal Air Force display team was set up;
- the Breitling Aerospace, which honours France's equivalent of the Red Arrows, the Patrouille de France – there are 1,953 pieces, again commemorating the year of establishment;
- the pink gold Navitimer Montbrillant, endorsed by the US Navy's Blue Angels aerobatics team;
- the Navitimer 92, chosen by the US Navy's Fighter Weapons School;
- an issue of 1,000 hand-wound mechanical Navitimer Cosmonaute watches identical to the one worn by the famous astronaut Commander Scott Carpenter.

The Yuri A. Gagarin Cosmonauts Training Centre has meanwhile selected the Official Cosmonauts Chronograph by Fortis as the official timekeeper for the Alpha 2001 space station project being developed by Russia, the US, Canada and ten European countries.

Closer to earth, Revue Thommen's new Airspeed Collection is designed for use by aircraft pilots, boasting a quartz movement inside a titanium case. Gucci's 5500, meanwhile, is designed to appeal to the equestrian world with its two interlinked horseshoes on the bezel and case fastenings. It is quartz driven, with a date window at 3 o'clock.

Hermès is unveiling its Harnais watch at Basel '96. Its most distinctive feature is a leather strap which extends right around the case. The watch is water resistant to 30 metres.

FOCUS Jewellery

Gentlewomen prefer diamonds

Events like Basel' '96, which opens today, prove that the watch, clock and jewellery trades are just separate parts of a whole retail scene. This year there are 1,324 exhibitors in the jewellery halls, of whom 353 come from Italy. There are 348 representatives from Germany, 96 from Hong Kong and 47 from the UK.

According to recently-published World Gold Council statistics the UK has become the largest European market in volume terms for plain gold jewellery, at 40m articles, well in front of Italy, which absorbed 27.5m pieces. Almost 29 per cent of UK adults purchased plain gold jewellery in 1995 – the same percentage as in the two previous years. These statistics break up as follows: earrings 35 per cent, neckwear 22 per cent, rings 20 per cent, wristwear 10 per cent, and "other" 13 per cent.

National buying habits vary. In Greece, for example, earrings make up less than 10 per cent of its annual jewellery sales. In France and Germany rings take the lion's share of the market, while in Italy, that most fashion-conscious of nations, "other" items have the biggest share.

Consumer attitudes to jewellery in the UK are revealing. About 63 per cent of women would like to own more jewellery than they possess – a far higher figure than in other European countries. UK women also feel that gold jewellery is one of the easiest gifts to buy, and rate it more highly than other Europeans. They also think jewellery is associated with personal memories to a greater extent than European women.

In the UK the interests of the jewellery trade have been guarded by the National Association of Goldsmiths since 1894, and its grant of arms can be seen in more than 3,000 shop windows. Mr Jack Ogden, its chief executive officer, says: "Anybody can become a jeweller, but not every jeweller can become a member of the NAG."

The annual UK sale of 40m plain gold items is far greater than the figure for gem-set pieces which is 9m – but ultimately the glamour lies with the latter. Exhibitors in the jewellery halls in Basel '96 include suppliers of stones, parts and tools, and are an integral part of watchmaking at companies such as Bulgari, Tiffany and Piaget. Most exhibitors are showing complete pieces.

Pforzheim, in the Black Forest, has been a jewellery centre for many centuries. Chopard, noted for its Happy Diamonds line of watches and jewellery, has a big presence there. Companies such as Eugen Schofer, showing in Basel, has made knitted mesh and silk mesh chains in gold, platinum and stainless steel since 1904. This year throat torques in stainless steel are proving to be popular.

Boodle and Dunthorne, which celebrates its bicentenary in 1998 and remains a family company, is basically a jeweller at the top end of the market but now features quality-brand watches in its catalogues as well.

Mr Ian Dahl, the recently appointed group chief executive at Asprey, indicated the company would take a fresh approach to its traditional markets: "The new management team will be increasingly developing the range of high-quality jewellery in the £1,000-£4,000 bracket," he said, "We believe this price range is a growing market – for jewellery purchased repeatedly as an investment by today's independent women."

Asprey has commissioned the top Italian designer Mr Stefano Ricci to produce a special collection of jewellery for the coming Christmas season. Mr Dahl knows that consumers spent about £212m on fashion jewellery in 1995 – and he probably knows that many women agree with the line in Anita Loos' *Gentlemen Prefer Blondes*: "(A man) kissing your hand may make you feel very, very good, but a diamond and sapphire bracelet lasts for ever."

A turret clock by Smith of Derby, at the Sief Palace in Kuwait

■ Clockmakers

Small band survives in UK

British makers are rare in a sector dominated by Germany and the Far East

Almost a quarter of the exhibitors at Basle '96 are from Germany, and many of these are clockmakers, part of a longstanding national industry traditionally centred in the Black Forest region.

Alongside China, Hong Kong, Japan and South Korea, Germany has a healthy export business in quartz movements, cases and other parts, in sharp contrast with the UK or the US, where there is no clockmaking trade of any size. The companies in those countries are simply assemblers and wholesalers.

There will, however, be a British clock group at Basle, sponsored by the British Horological Federation and the Department of Trade and Industry. The federation works closely with the long-established British Horological Institute in encouraging and furthering education in the trade, which is crucial to keeping alive what is left of the clock manufacturing industry in the UK. Watchmaking was once a thriving business based in London's Clerkenwell district. What is left is mainly devoted to the repair, care and maintenance of "previously-owned" clocks.

Antiquarian horology is flourishing everywhere, however. The Geneva based auction house Antiquorum has never been busier in its 22 year history. Its Art of British Horology sale last November was a big success and a timely reminder of Britain's past eminence in the field of clockmaking.

As a token of the importance of the trade in antique clocks, today in New York Christie's is auctioning a remarkable clock made by Fabergé to celebrate the silver wedding of the Russian Tsar Alexander III and Empress Maria Feodorovna. It is expected to realise between $500,000 and $1m.

Clocks are often seen as appropriate gifts for new homes. In times of recession fewer people are inclined to move, and the bounce goes out of the market. Rapport is one clockmaking company exhibiting in Basel which knows all about this.

The Rapport family has owned the business since its inception in 1898. From its Cardiff headquarters it has built up a fine catalogue of traditional clocks. These include the ingenious Congreve Rolling Ball Clock, and other intricate time pieces such as the Orrery, The Planetary, the Inclined Plane and the Pendulum Skeleton Clock.

Mr Derek Rapport says that his best sellers are brass carriage clocks, for which demand never seems to flag. In general, however, he believes that "the world market is shrinking".

In Basel, Rapport is launching a new carriage clock which represents, these days, an unusual achievement. It is simply an all-English made wind-up clock. No part of it, except for the spring, is imported.

One of the biggest clock distributors in the UK is the London Clock Company. Most of its pieces are badged Japanese products. Meanwhile the family-owned FA Gluck, in South London, produces clocks for others to sell at the top end of the market; the escapements are imported but it makes its own highly-engineered mechanical movements.

Smith of Derby is a world leader in the production of outdoor clocks. This is yet another family-controlled concern. It was founded in 1856. Its activities are divided between repairs and maintenance and the supply or replacement of clocks constructed to survive all types of weather on public buildings.

Mr Nicholas Smith, the chairman, reports: "New projects have developed enormously in size and complexity in recent years. Our use of in-house computers aids design, speeds up manufacture, and improves our presentations for big contracts around the globe." The company has produced clocks for Glaxo, EuroDisney Paris and beautiful and complicated large automata for a new opera house in Stuttgart.

This year in Basel the Swiss clockmaker Matthew Norman is presenting its 8-day domed Renaissance. Luxor and Swiza are again both showing elegant new clocks with clear, crisp dials in refined cases. The English maker Sinclair-Harding has long been known for its elegant, complicated clocks, and this year will also be present at the Basel event.

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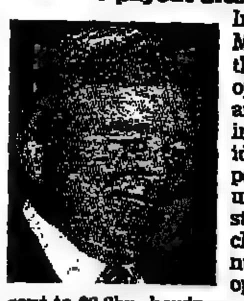
FINANCIAL TIMES
COMPANIES & MARKETS
Thursday April 18 1996

IN BRIEF

SAP predicts 40% advance for year

SAP, the German business software group, sought to end the confusion about its business outlook with a forecast that net profits would rise at least 40 per cent this year. On Monday, a senior company executive created confusion by rejecting some analysts' forecast of a 50 per cent profit growth for this year as too optimistic. Page 17

IBM lifts payout after 'uneven' term



International Business Machines reported stronger than expected first-quarter operating earnings and announced a long expected increase in its quarterly dividend. IBM's first-quarter performance was "good but uneven", said Mr Lou Gerstner (left), chairman and chief executive. While revenues from services operations jumped 31 per cent to $3.2bn, hardware revenues were flat at $7.7bn. Page 18

L'Oréal produces 11th year of growth

L'Oréal, the French cosmetics group, reported 1995 net earnings, excluding capital gains and losses, up 8.3 per cent at FFr3.4bn ($660m). Profits before tax and profit-sharing rose 10 per cent to FFr5.9bn, the 11th consecutive year of double-digit growth. Page 17

Thomson agrees Crédit Lyonnais stake sale

The Thomson electronics group announced that the French government had agreed to pay a minimum FFr3.3bn for its 21.93 per cent stake in Crédit Lyonnais, the French banking group. Page 16

GAN cuts losses to FFr1.8bn

GAN, the state-owned French insurance group, reported 1995 losses down substantially to FFr1.8bn ($350m) from FFr5.7bn while predicting a return to break-even this year. In spite of a sharp recovery last year in GAN's insurance activities, property losses dragged the group into a deficit. Page 16

AT&T head attacked at AGM over pay

Mr Robert Allen, chairman of AT&T, came under fire over his pay at an occasionally hostile annual meeting. However, a motion which opposed the election of directors as a mark of disapproval was easily defeated. Page 18

San Miguel shares fall sharply on warning

San Miguel, the Philippines' largest beer and consumer goods company, saw its shares dive almost 10 per cent yesterday after senior executives warned of a deteriorating profits outlook. Page 20

Pru upbeat for year after sales rise

Prudential, the UK's largest life assurance and investment group, expressed optimism about prospects for 1996 as it announced increased sales for the first quarter of this year compared with the same period in 1995. Page 21

Companies in this issue

Market Statistics

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Duerr AG	495	+	10
SAP AG	193.5	+	11.5
Volksfuersorge	435	+	10
Falls			
Andrea R Zahn	475	-	13
Holzmann	[illegible]	-	13
[illegible]	210	-	13
NEW YORK ($)			
Rises			
Computer Task	[illegible]	+	[illegible]
Harley-Davidson	[illegible]	+	[illegible]
Millipore	[illegible]	+	[illegible]
SGS-Thomson	[illegible]	+	[illegible]
Falls			
Analog Devices	[illegible]	-	3
[illegible]	[illegible]	-	[illegible]
LONDON (Pence)			
Rises			
[illegible]	34	+	8
Cantab Pharm	665	+	[illegible]
[illegible]	[illegible]	+	40
[illegible]	49	+	[illegible]
[illegible]	[illegible]	+	[illegible]
[illegible]	[illegible]	+	[illegible]
TORONTO (C$)			
Rises			
[illegible]	[illegible]	+	4.28
[illegible]	[illegible]	+	1.7
Falls			
[illegible]	[illegible]		[illegible]
[illegible]	[illegible]	-	[illegible]
[illegible]	[illegible]	-	[illegible]
[illegible]	[illegible]		[illegible]
PARIS (FFr)			
Rises			
[illegible]	[illegible]	+	[illegible]
Docks France	908	+	[illegible]
Docks Lyons	[illegible]	+	[illegible]
Falls			
AMF	500	-	80
Axyslem	555	-	55
Cogifer	285	-	45
TOKYO (Yen)			
Rises			
[illegible]	1100	+	106
Nippon Signal	1360	+	150
[illegible]	850	+	100
[illegible]	715	+	100
Falls			
Fujita Kanko	2200	-	120
[illegible]	805	-	45
HONG KONG (HK$)			
Rises			
[illegible]	9.05	+	[illegible]
Pioneer Inds	7.2	+	0.3
Sing Tao	4.2	+	0.2
Wah Kwong	10.7	+	0.4
Wong's Intl	1.34	-	0.13
Falls			
JCG	7.55	-	0.35
BANGKOK (Baht)			
Rises			
[illegible]	111	+	[illegible]
[illegible]	51	+	4.5
Falls			
Carpets Intl	92	-	16
[illegible]	59	-	6
[illegible]	127	-	17
[illegible]	30.5	-	5.25

New York and Toronto prices at 12.30.

Russian banks get tough with West

By Chrystia Freeland in Moscow

Russian banks said yesterday they would be tougher with non-Russian borrowers following the collapse of AIOC, a US-based metals trader with large debts to Russian lenders.

AIOC, which was once a dominant group in the lucrative Russian metals market, was forced into Chapter 11 bankruptcy hearings last week by some of its Western creditors.

Russian banks, who are owed $35m-$40m by the US company, said AIOC's failure could provoke a sea-change in Russian attitudes towards Western companies.

Tokobank, one of AIOC's three main Russian lenders, said yesterday that in the wake of the episode "our conditions for lending to foreign companies, which operate on the Russian market, will be stiffened".

An official at another Russian bank said the collapse was likely to shatter the Russian assumption that foreign groups were always more solid than local ones. "I think that all Russian banks will be much more cautious about extending credits to foreign companies working on the Russian market," he said. "It is ironic, because we are accustomed to our Russian clients going broke but not our Western ones."

AIOC's downfall has also underscored the perils of metals trading in Russia, one of the most savage sectors of the Russian economy.

However, Mr Alan Clingman, AIOC chairman, said he was confident the group could be smoothly unravelled and he emphasised that AIOC would take an even-handed approach to its Western and Russian creditors. "We treat all the banks equally. Some of our Russian banks are secured, some are not secured. Some of the Western banks are secured, others are not secured."

He said the company had been weakened in part by heavy trading losses in ferro-chrome and the breakdown of its relationship with a leading Russian aluminium producer. But he said the fatal blow came in February, after partnership talks with Marc Rich, the commodity trading group now known as Glencore International, collapsed.

"Once it became known that our discussions with Marc Rich would not amount to a transaction there were a lot of rumours in the market," Mr Clingman said. "A lot of our creditors then became more aggressive in dealing with us."

He said that AIOC sought more financial support from its bankers, but when negotiations proved inconclusive, the company went into "meltdown".

Mr Clingman said AIOC and some of its creditors had sought to avoid a Chapter 11 filing, preferring "an orderly liquidation of assets", but Western brokers had pushed the company into bankruptcy hearings.

AIOC had also suffered losses in the central Asian republic of Kazakhstan, where the national privatisation programme freed new owners from responsibility for old debts. AIOC had lost money advanced to Kazakh companies and was still negotiating with the government of Kazakhstan for a recovery of its funds, he said.

Mansfield to leave Fairfax after 4½ months

By Nikki Tait in Sydney

Mr Bob Mansfield, head-hunted to be the chief executive of John Fairfax, Australia's leading newspaper group, last year, announced yesterday that he was quitting the company after just four-and-a-half months.

Speculation about Mr Mansfield's possible departure began to circulate on Tuesday, and yesterday morning Fairfax admitted he would meet Sir Laurence Street, non-executive chairman, later in the day.

As a result of that meeting, Fairfax said an "amicable agreement" for Mr Mansfield, 44, to "retire" had been reached. It added he would stay for three months to provide continuity.

No formal explanation for Mr Mansfield's abrupt departure was given, but he is thought to have been at odds with representatives of Mr Conrad Black, the Canadian media proprietor who holds a 24.9 per cent stake in the Australian publishing group and is its largest shareholder.

Mr Mansfield came into the newspaper business with no experience of the industry, having previously been head of Optus, the Australian telecommunications group, and before that of the Australian arm of McDonald's. He was head-hunted by Mr Stephen Mulholland, former chief executive.

Within weeks of Mr Mansfield's arrival, senior Fairfax executives – including Mr Michael Hoy, deputy chief executive, Mr Doug Halley, finance director, and Mr Stuart Simson, managing director of the David Syme unit – had departed.

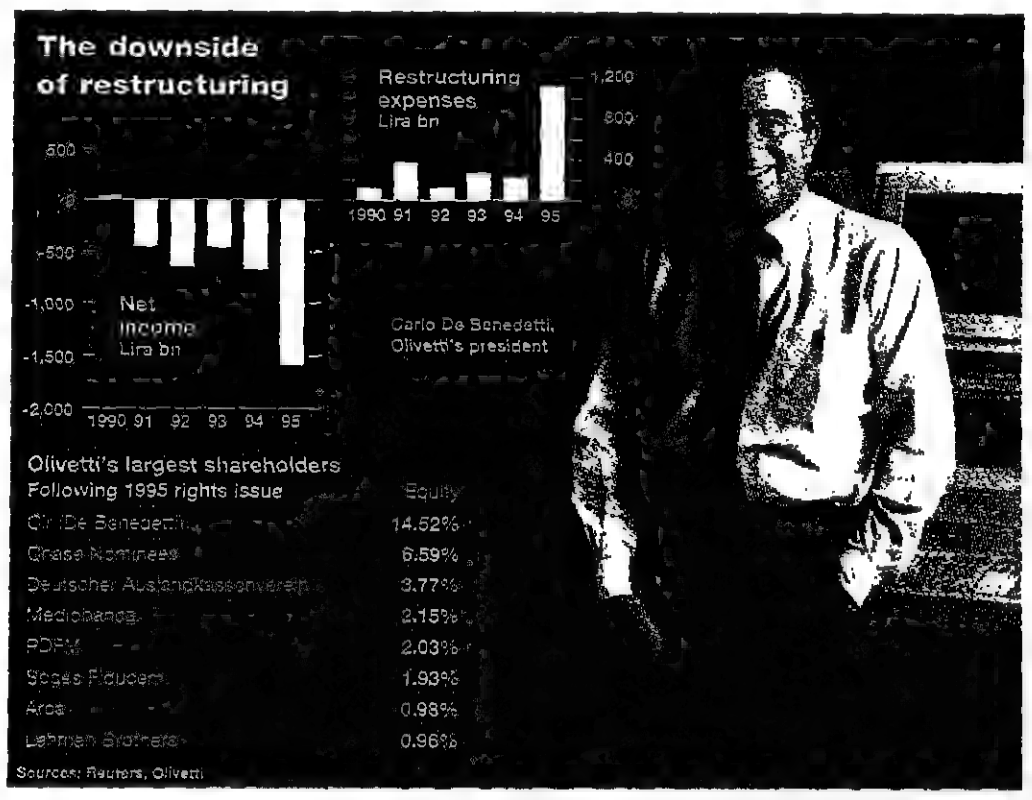
Asked earlier this year if this had led to tensions with Mr Dan Colson, Fairfax's deputy chairman and chief executive of Mr Black's UK Telegraph group, Mr Mansfield said: "In the board of any major company you're going to have people expressing different views as part of a healthy board environment."

Meanwhile, Fairfax was suffering problems – the general slowdown in the Australian economy coupled with higher paper costs caused it to post a 23.2 per cent drop in net profits for the six months to December 31, and warn that full-year result would be down on last time.

It was unclear yesterday who might succeed Mr Mansfield, although one mooted possibility – Mr John Reynolds, the new head of Fairfax's Melbourne-based subsidiary David Syme – said that he had not been in discussions on this.

Italian computer group sees end of big restructuring costs in 1996

Olivetti strives to hit profits target



When Mr Carlo De Benedetti, chairman of Olivetti, talks to some of the Italian computer group's largest shareholders today in the US, he is likely to go easy on the promises.

This is the third successive year in which Mr De Benedetti and his managers have set themselves the goal of ending net losses at the group, and they have not yet hit the target.

What is more, even though Olivetti's shares have recently bounced back from their low of L735, they are still stuck below the L1,000 price at which Mr De Benedetti persuaded many US investors to subscribe to last year's record L2,257bn ($1.4bn) rights issue aimed at relaunching the company.

That is one good reason why fund managers and analysts will seek a detailed explanation of Olivetti's 1995 results, published on Tuesday. Last year, Olivetti finally returned to annual operating profit, but, for the fifth consecutive year, restructuring charges left the company deep in net loss. The full-year consolidated loss of L1,598bn had been heralded in January.

More surprising was Tuesday's news that in February and March, Olivetti's personal computer unit had made a tiny profit and was increasing shipments in Europe faster than the market was growing. Mr De Benedetti is still cautious about the prospects for 1996, the first year of operations since the PC business was formed into a separate subsidiary. Interviewed yesterday before flying to the US, he said: "[The PC result] is more emblematic than substantial in my mind. It is very important that in February and March the PC company was breaking even, but that doesn't mean we will be successful for the full year."

In any case, Olivetti executives believe the importance of the PC business has been overestimated by shareholders. They point out that PC sales account for only 22 per cent of overall group turnover. But before dismissing their fears about the impact of the PC business on the group results, analysts will need further evidence that Olivetti has avoided the fall-out from a sector in which even market leaders such as IBM and Compaq have been suffering this year.

Their other main concern has been the long-running restructuring of the Ivrea-based group. Since 1989, Olivetti has spent a total of L2,270bn, or 4.3 per cent of revenues, restructuring the whole group, nearly halving its workforce to about 30,000.

As a proportion of turnover, IBM and Digital Equipment of the US, and Bull of France have all spent more over the same period, according to Olivetti's figures. But the Italian group has earned itself a notoriety with the market for drawing a line under its extraordinary charges and then unexpectedly adding to them, as it did in January.

Mr De Benedetti claims the restructuring process was drawn out for "social and cultural" reasons, or, to put it more bluntly: "If I had said in 1989 that I wanted to make 50 per cent [of the workforce] redundant, people would have killed me."

In 1996, he claims there will be no further significant restructuring costs. The L1,123bn extraordinary charge for 1995 – about a quarter of which was probably spent on the PC business – included provisions for L418bn to be spent this year. "We have destroyed a lot of [shareholder] value, through the losses and restructuring costs," he admits. But he adds that the group has created new value in telecommunications and multimedia, activities which he believes will now restore the group to prosperity.

Most analysts estimate that the break-up value of Olivetti's non-PC activities, including its large stake in Omnitel Pronto Italia, the Italian digital mobile phone operator, is far greater than the current share price.

Olivetti is now working on expanding its involvement in the telecoms sector. France Télécom and its partners Deutsche Telekom and Sprint are due to enter Olivetti's Infostrada telecoms joint venture with Bell Atlantic of the US. Infostrada is one of several possible bidders for the national telecoms infrastructure built by Italy's state railways. And Mr De Benedetti is relishing the prospect of leading Olivetti for a few more years yet in "guerrilla warfare" with Italy's state-controlled telecoms operators.

The new structure of the group (a holding company with subsidiaries rather than integrated divisions), wider ownership of its shares, and the dismantling of Olivetti's shareholder syndicate after the rights issue, have also fuelled market speculation that the Italian group may be thinking of more far-reaching ways of securing its future. The markets have identified Bull, the French state computer group, and France Télécom as potential partners for the group.

Mr De Benedetti says there are no negotiations under way with the French companies, apart from the talks with France Télécom on Infostrada. He concedes an alliance with Bull would make sense for the French manufacturer, but he is uncharacteristically cagey about the future shape of Olivetti: "We have structured the company so we could make partnerships or even break up the company, but I'm not going to tell you what we are going to do."

Whatever he decides should be the next step for Olivetti, Mr De Benedetti will only earn the thanks of shareholders if he does it cheaply, and soon.

Andrew Hill

Ford surpasses first-term forecasts

By Richard Waters in New York

Ford Motor's overhaul of a large part of its product line proved less expensive in the first three months of this year than the stock market had feared. This raised hopes that the depressed profits at the US's second-biggest carmaker will rebound faster than had been expected.

The heavy cost of introducing new models of some of its biggest-selling vehicles led Ford to report yesterday a 58 per cent fall in after-tax profits from a year before, to $653m. The introduction of a new F-series pick-up truck, which accounts for a fifth of its US vehicle sales, and a new Fiesta in Europe, accounted for much of the decline.

The costs of model-changeovers stem from lost production and higher discounts offered to customers.

Wall Street, which had been expecting Ford to report earnings per share of about 33 cents, was impressed by the 53 cents it reported, extending the recent gains in the company's stock. Ford was trading at $36⅛ at lunchtime in New York, a rise of 8%.

Ford's performance was underpinned by its highly profitable financial services operations. These contributed $511m of after-tax profits, 25 per cent more than a year before.

The group's automotive businesses, on the other hand, registered net income of $142m, almost exactly $1bn less than the first quarter of 1995.

Mr Alex Trotman, chairman, issued a further defence yesterday of Ford's decision to introduce a number of high-volume vehicles at once. The changeovers were best done at a time when Ford was financially strong, and the new product line and cost-cutting would "soon begin to pay off", he said.

Ford reported continued strong demand in the US for light trucks, but an intensification of competition in the market for cars. The average incentive offered on each new vehicle fell to $870, from $900 in the previous three months, but was likely to rise back above $900 in the current quarter, said Mr Dave McCammon, chief financial officer.

This in part reflected tougher competition from Japanese manufacturers, which were better able to increase incentives to US car buyers due to the recent decline of the yen against the dollar, he added.

AMR considers spinning off Sabre reservations system

By Richard Tomkins in New York

AMR, parent company of American Airlines, the second-biggest US airline, yesterday confirmed it was considering a spin-off of Sabre, one of the world's biggest computer reservation systems.

As a first step, it said it was reorganising Sabre by turning it into a separate subsidiary, a transaction it expected to complete in this year's third quarter.

Beyond that, AMR said, it would study options that could include strategic partnerships and an initial public offering of a portion of Sabre's stock, but no decisions had yet been taken.

Sabre is unusual among computer reservation systems in being wholly owned by one airline. Its main rivals are Amadeus and Galileo, which are owned by consortiums of international airlines.

Mr Michael Durham, Sabre president and chief executive, said the explosion of information technology and its impact on the travel industry had created new opportunities for Sabre. "In order to take advantage of these opportunities, and to form the kinds of partnerships and alliances that will help us grow, we need to be an independent organisation – that is, legally separate from the airline."

Mr Robert Crandall, AMR chairman and chief executive, said separation would enable the airline and Sabre to concentrate on improvement and expansion.

The move would also have the effect of cutting the airline's costs by between $120m and $140m a year, Mr Crandall said – partly by putting its relationship with Sabre on a more commercial footing, and partly because Sabre would take on about $850m of airline debt.

Last year, Sabre earned pre-tax profits of $371m on revenues of $1.6bn. In contrast, restructuring charges helped take the airline into pre-tax losses of $51m on revenues of $15.5bn.

AMR's first-quarter results yesterday showed increased net earnings of $157m, or $2.02 a share, from $37m, or 48 cents a share. Mr Crandall said improved load factors and stronger yields had helped lift the results, outweighing higher fuel prices, a new jet fuel tax, severe winter weather, and some costs arising from a new labour agreement.

Lex, Page 14

COMPANIES AND FINANCE: EUROPE

Thomson agrees sale price of Crédit Lyonnais stake

By David Buchan in Paris

The Thomson electronics group yesterday announced that the French government had agreed to pay a minimum FFr3.3bn ($644m) for its 21.93 per cent stake in Crédit Lyonnais, in a move that will make Thomson more attractive to buyers when it is privatised later this year.

The deal involves a substantial write-off of the value of Crédit Lyonnais shares and investment certificates on Thomson's books, and will therefore entail a substantial downward revision of the 1995 results which Thomson SA, the state holding company, and its professional electronics subsidiary, Thomson-CSF, have provisionally published.

But by removing the uncertainty attached to owning one-fifth of the troubled Crédit Lyonnais, Thomson yesterday said the operation constituted "the first act" of its planned privatisation.

Thomson-CSF, which is 42 per cent owned by private investors, said yesterday its proposed 1995 dividend of FFr2.60 per share remained unchanged.

Under the terms of the agreement, the government will pay Thomson-CSF a minimum of FFr2.859bn for its 18.9 per cent in Crédit Lyonnais and Thomson SA FFr484m for its 3.01 per cent holding in the state-controlled bank.

The share sale is to take place at the time of Thomson's privatisation, and in any event by December 20 this year at the latest.

The main part of Thomson's stake in Crédit Lyonnais – the 18.9 per cent held by Thomson-CSF – dates from the latter's cession of its Althus financial business to Crédit Lyonnais, in return for which it took shares in the bank.

Based on the government rescue plan for Crédit Lyonnais, these shares have been valued at FFr4.79bn on Thomson-CSF's books, but the company took the precaution of warning last month that its provisional report of a FFr1.01bn net 1995 profit was subject to a re-evaluation of these shares.

Because of the difference between the higher book value and the lower minimum share now agreed with the state, Thomson-CSF and Thomson SA are to take extra provisions of, respectively, FFr1.802bn and FFr279m for 1995.

Thomson-CSF will no longer have to underwrite its share of the guarantees underpinning the Crédit Lyonnais assets hived off into the CDR, the government created vehicle for the bank's rescue. But the state is charging Thomson-CSF FFr477m for getting quick release from this long-term obligation, and it will deduct this amount from what it is to pay for the shares.

But Thomson-CSF said it would still get enough for the shares to wipe out its current net debt of FFr2.3bn. Thomson-CSF shares closed up FFr5.90 at FFr134.40 yesterday.

GAN cuts deficit and sees return to break-even

By Andrew Jack in Paris

GAN, the state-owned French insurance group, yesterday reported 1995 losses down substantially to FFr1.8bn ($351m) while predicting a return to break-even this year.

The figure followed losses in 1994 of FFr5.7bn, which were accompanied by a restructuring of its property investments and a refinancing by the French government.

Mr Jean-Jacques Bonnaud, chairman, said yesterday that the group's recovery was well under way, and he expected it to return to profit in 1997 with an objective of a 10 per cent return on equity.

In spite of a sharp positive swing in the performance of the group's insurance activities, which switched from a loss of FFr310m in 1994 to a profit of FFr1.1bn in 1995, property losses dragged GAN into a deficit for the year.

Life assurance in France was up strongly, with an increase of net income of 39 per cent on its 1994 level to FFr1.2bn.

The losses in non-life in France fell from FFr1.3bn to FFr556m, and net income from insurance outside France rose from FFr140m last time to FFr496m.

CIC, its banking subsidiary, reported net income up from FFr534m to FFr732m, which was partially offset by losses of FFr96m from its other subsidiaries, which had generated net income of FFr135m in 1994.

A deterioration in the French property market forced the group to make additional provisions.

That led to losses of FFr1.9bn – against losses of FFr2.1bn in 1994 – in UIC, the property division formerly controlled by CIC, and of FFr1.7bn, compared with FFr3.7bn previously, in its holding and ring-fenced other property investments.

The group provided detailed information yesterday on the results of CIC, which is set to be partly sold off over the coming months as part of a refinancing and restructuring plan for GAN.

Mr Bonnaud said GAN aimed to receive a minimum of FFr9bn from the partial sale of CIC and of Compagnie Transcontinent de Réassurance, its reinsurance subsidiary.

CIC had net assets at the end of 1995 of FFr14.1bn.

He said he wanted GAN to retain a blocking minority stake in CIC to ensure the bank would continue to sell the insurer's products, and said that discussions on the sale were under way with possible French and European purchasers. He suggested the process was unlikely to be completed before the end of this year.

LEGAL NOTICES

INSOLVENCY ACT 1986
LEATHERMASTER (NORTHERN) LIMITED
Company no: 1816875
MASTER SERVICES GROUP LIMITED
Company no: SC088084
LEATHERMASTER (UK) LIMITED
Company no: SC034363
OTEC (MSG) LIMITED
Company no: 2770026
(In ADMINISTRATIVE RECEIVERSHIP)

NOTICE IS HEREBY GIVEN pursuant to Sections 48(2) and 67(2) of the Insolvency Act 1986 that a Meeting of the unsecured Creditors of the above named Companies will be held at The Friends Meeting House, St James Street, Sheffield on 30 April 1996 at 10.30am, for the purposes mentioned in Sections 48 and 49 of the said Act.

Creditors whose claims are wholly secured are not entitled to attend or be represented at the meeting. Other creditors are only entitled to vote if–

a) they have given to the Joint Administrative Receivers, not later than 12.00 hours on the business day before the day on which the meeting is to be held, details in writing of the debts that they claim to be due to them from the Companies, and the claim has been duly admitted under the provisions of Rule 3.11 of the Insolvency Rules 1986; and

b) there has been lodged with the Joint Administrative Receivers any proxy which the creditor intends to be used on their behalf.

Dated April 11 1996
DAVID JOHN STOKES and MICHAEL JOSEPH MOORE
Joint Administrative Receivers
NOTE Creditors of the Companies requiring copies of the Joint Administrative Receivers' report may obtain it free of charge, on written application to the Joint Administrative Receivers at Coopers & Lybrand, 1 East Parade, Sheffield S1 2ET

OBITUARY: STAVROS NIARCHOS

'Golden Greek' who saw potential in shipping

Stavros Niarchos, who has died at the age of 86, was one of the "Golden Greeks", a small group of shipowners whose success in operating supertankers and diversifying into property development, finance and banking put them on the Fortune 500 list of the internationally wealthy.

A cool, distant figure even to his closest associates, Niarchos eschewed publicity, in contrast to Mr Aristotle Onassis, his business rival for more than 20 years. But he enjoyed a similarly flamboyant lifestyle, marked by lavish hospitality and conspicuous spending on female companions, luxury yachts and a private Greek island.

Stavros Spyros Niarchos was born, the son of a merchant, on July 3 1909. He left school at 14 because of his father's bankruptcy, but at the peak of his career Niarchos controlled the biggest Greek-owned merchant fleet, numbering almost 80 ships. He leaves one of the largest private fortunes, estimated at more than $5bn, which, in addition to 27 tankers, includes a fabled yacht, the Atlantis, and renowned collections of Impressionist and classical Greek art.

"Niarchos shared with Onassis a strategic vision of the shipping industry's potential and boundless personal ambition. Both had an edge on other Greeks in the industry because they acquired an international outlook early on," one former associate said.

Niarchos joined his uncle's shipping business in Piraeus before the second world war. After the first vessel he owned was sunk in a German air raid, he left for New York with an insurance payment of $1m. He joined the Greek navy and was honorary naval attaché at the Greek legation in Washington for three years after the war.

Niarchos's early career was shadowed by the sinkings in suspicious circumstances of several elderly vessels, registered in Panama to avoid paying US taxes. Nonetheless, he qualified for one of the 200 "Liberty" ships purchased by the Greek government from the US Maritime Commission after the war and distributed to Greek owners who lost vessels as a result of enemy action.

Niarchos and Onassis at first competed to buy additional "Liberty" ships laid up by US authorities. But freight rates rose strongly through the 1950s, as a result of the Korean War and the Suez crisis, enabling both men to start ordering new ships.

They moved into tankers partly through the influence of Stavros Livanos, Greece's first large tanker-owner and father-in-law to both. Niarchos married Eugenie Livanos and Onassis her younger sister Tina.

Niarchos and Onassis pioneered the supertanker, which introduced economies of scale to oil-transporting, borrowing heavily to build ships at government subsidised Asian yards. "Supertankers were immensely profitable at first. You could recoup your entire investment in just three or four voyages," said a former Niarchos executive.

Persuaded to invest in Greece by the pro-business prime minister, Konstantinos Karamanlis, Niarchos established Hellenic Shipyards near Athens in 1956, to repair and build ships for himself and other Greek owners. The colonels' junta continued the practice of courting shipowners: Niarchos took control of the state-owned Aspropyrgos refinery in 1970 under a concession that included the long-term supply of crude oil to other Greek refineries and the right to sell refined products on the domestic market.

However, Niarchos was forced to sell the refinery back to the Greek state after the return of democracy.

The damage to Niarchos's reputation caused by his close association with the junta was reinforced by the mysterious death in 1970 of his wife Eugenie on Spetsopoula, his private island. Manslaughter charges against Niarchos were dropped, reported to be as a result of political pressure. Soon afterwards Niarchos announced a $45m new investment in his shipyard and refinery.

The death of his arch-rival Onassis in 1975 deprived Niarchos of direct competition at a time of deep recession in the shipping market. Niarchos allowed his fleet to shrink, devoting more time to other activities, including stud farms in Kentucky and Normandy, and collections of jewellery, antiques and paintings – among them eight by Renoir, six by Gauguin and 13 by Van Gogh.

Niarchos's property holdings say much about his business style. Apart from Spetsopoula, where he entertained business associates and the international jet-set, they include an office block in Monte Carlo, several chalets and an hotel in St Moritz, and homes in Normandy, Antibes and the Caribbean.

However, Niarchos sold Hellenic Shipyards, the largest of four yards set up in Greece by expatriate shipowners, to the Greek state after a socialist government took power. Profits declined as the Niarchos fleet dwindled, while labour disputes encouraged other shipowners to repair their vessels elsewhere.

Niarchos's generosity to loyal employees – he once rewarded three executives by handing over one of his ships – was matched by extravagant formal hospitality. His preferred companions were European aristocrats, although he also formed a firm friendship with the ballet dancer Rudolf Nureyev.

Niarchos grew reclusive after back surgery in 1991 made walking difficult, but stayed in close touch with his business affairs. His interest in shipping recovered with the purchase of a double-hulled supertanker and discussions last year on building two new supertankers at the Daewoo yards in Korea.

Unlike many Greek shipowners, Niarchos was willing to delegate the day-to-day running of his fleet and other activities, while retaining control of strategic decision-making. Recently his three sons from the marriage to Eugenie – Philippos, Spyros and Constantine – have been playing a larger role in managing the Niarchos holdings from St Moritz and London. Maria, the daughter from the same marriage, runs the horse breeding business. Constantine, the youngest son, is expected to take over the shipping operation.

Kerin Hope

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SAP sees 40% profits rise as 'realistic'

By Wolfgang Münchau in Frankfurt

SAP, the German business software group, yesterday sought to end the confusion about its business outlook with a forecast that net profits would rise at least 40 per cent this year.

The forecast followed yesterday's release of the first quarter results for 1996, which showed a 40 per cent rise in turnover to DM690m ($457m) and pre-tax profits up 62 per cent to DM117m.

Despite its relatively modest turnover, SAP is among the highest valued German companies, with a market capitalisation of more than DM20bn: larger than Dresdner Bank, Volkswagen and BMW. International investors, in particular, have taken a strong interest in the company.

On Monday a senior company executive created confusion by rejecting some analysts' forecasts of a 50 per cent profit growth for this year as too optimistic. Mr Dietmar Hopp, chairman, yesterday reaffirmed that assessment while giving a figure of 40 per cent, thus leaving himself only a small margin of error.

Mr Hopp said "one cannot expect that SAP will achieve a profit increase of 50 per cent. But we work on the assumption that 40 per cent or more is realistic". The share price, which fell 7 per cent on Monday, yesterday gained DM8.50 to close at DM196.50.

Mr Hopp said that based on the experience of previous years, about 9 per cent of pre-tax profits tended to arise in the first quarter and almost 50 per cent in the last quarter.

Underlining a policy of conservative forecasting, Mr Hopp warned against a weighted extrapolation of first-quarter figures, which would have yielded a pre-tax profit forecast of between DM1.1bn and DM1.2bn for 1996. Last year SAP earned DM874m pre-tax.

Doubts about SAP's prospects were raised by Forrester Research, the US consultancy, which warned this month that SAP's main product could be outdated by the end of the decade. Mr Hopp yesterday rejected the conclusions of the report, pledging to spend DM8bn over the next five years on research and development.

He said categorically there would be no successor product to R/3, the company's highly successful client-server business software product.

R/3 is the world market leader for client-server integrated business software, and constitutes a large part of total sales, which came to DM2.69bn last year.

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L'Oréal raises dividend as earnings rise to FFr3.4bn

By Andrew Jack in Paris

L'Oréal, the French cosmetics group, yesterday reported 1995 net earnings, excluding capital gains and losses, up 8.3 per cent at FFr3.4bn ($683.4m).

Profits before tax and profit-sharing rose 10 per cent to FFr5.9bn, the eleventh consecutive year of double-digit growth at the group. The board recommended a bonus share for every 10 shares held, and proposed a dividend of FFr13.30 for the year, up 9 per cent on 1994.

Mr Lindsay Owen-Jones, chairman, writing in the annual report also released yesterday, said the growth reflected efforts to improve financial management and came despite intense price competition

He also stressed the importance of continuing L'Oréal's policy of spending substantial sums on internal research as the key to its future success.

Sales rose 12.1 per cent to FFr53.4bn, largely reflecting the consolidation during 1995 for the first time of its North American agents, Cosmair Inc of the US and Cosmair Canada. Excluding exchange rate differences, the increase would have been 16 per cent, and in comparable terms, 6.4 per cent.

Of total turnover, 81.7 per cent came from cosmetics, compared with 81.6 per cent in 1994.

A further 17.4 per cent (16.9 per cent) came from its 56 per cent-controlled Synthélabo pharmaceuticals business, and 1.5 per cent from dermatology and other products, unchanged on the previous year.

France accounted for 23.1 per cent of its cosmetics products, against 26.1 per cent previously, and 41.2 per cent, against 43.8 per cent, of Synthelabo's sales.

L'Oréal estimated that the world cosmetics market was worth FFr362bn in 1995, which represented a decline of 3.7 per cent over the previous year. However, expressed in dollar terms, it reflected an increase of 5 per cent.

In the US, the market grew 3 per cent to FFr91bn, in western Europe by 1.2 per cent to FFr130bn, and in the rest of the world by 7.1 per cent to FFr74bn. Demand in Japan fell 0.5 per cent to FFr68bn.

The group reported net losses of FFr71m on the disposal of a series of investments during the year, FFr155m in restructuring costs including the full write-down of its Soréal business in Russia, and losses of FFr5m during the fourth quarter from Jade Germany, a cosmetics business.

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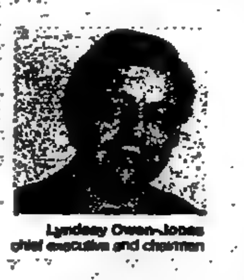
COMPANY PROFILE:

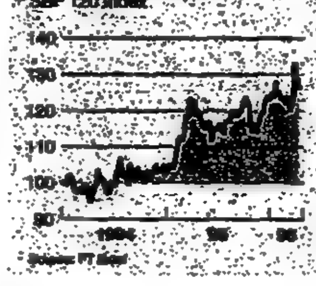
L'Oréal

Market capitalisation	$19.0bn
Main listing	Paris
Historic P/E	30.0
Gross yield	0.8%
Earnings per share	FFr543
Current share price	FFr1546

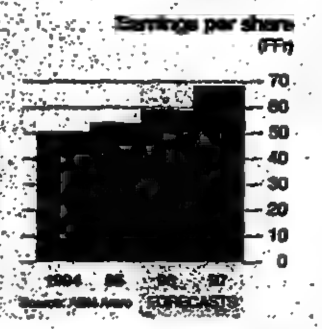


Lyndsay Owen-Jones chief executive and chairman

Share price relative to the SBF 120 index



Earnings per share (FFr)



FORECASTS

TF1 expects profit from satellite venture by 2001

By Andrew Jack

The head of France's leading commercial television station yesterday estimated that a new digital satellite service it would help launch over the coming months should be profitable within the next five years.

Mr Patrick Le Lay, chairman of TF1, which is controlled by Bouygues, the French construction group, also confirmed that he was set to be named head of the new organisation.

Speaking to a meeting of journalists, he confirmed a range of details which have emerged over the past few days concerning a rival satellite service to the one to be launched at the end of this month by Canal Plus, the pay television service.

He estimated there would be an audience of 200,000 within the next two years, rising to 1m over the next five years. The investment required during the first 18 months of the project should be FFr1.5bn ($293m), with a final total in the range of FFr2bn to FFr2.5bn.

TF1 will hold 25 per cent of the shares in the new venture, with other stakes held by France 2 and France 3, the two state-owned channels, as well as by the privately-held M6 station, Lyonnaise des Eaux, the construction and utilities group, and Compagnie Luxembourgeoise de Télévision.

Mr Le Lay also expressed confidence that there would be sufficient material to broadcast on the satellite channel, arguing that TF1 and the two state-owned channels accounted for a high proportion of all French language television output.

Executives said that the service, which could be launched as soon as the end of this year, would initially have about 30 channels. The basic service will be provided free of charge – apart from the rental costs of a decoder from an external supplier.

The choice of a design of satellite decoder is yet to be determined, and representatives of the different shareholders are currently discussing a range of details about how the new organisation will be managed.

They also said they hoped to be able to broadcast French films about one year after their release in the cinema.

This is considerably sooner than is permitted under legislation for terrestrial broadcasting, and in line with the rights currently granted to Canal Plus.

Air France sees further sharp cut in losses

By David Buchan in Paris

Air France reduced net losses – before restructuring costs – to less than FFr1.2bn ($234m) in 1995-96 and hoped to cut this loss to FFr115m in 1996-97, the state-owned carrier yesterday informed its employees in an internal newsletter.

The exact improvement is hard to gauge, because in 1994 Air France switched its accounting period from a calendar year to one ending on March 31 and is not due to finalise its 1995-96 accounts until the end of June. Air France had earlier reported a FFr2.38bn net loss for the 15 months from January 1 1994 to March 31 1995.

According to the partial figures released yesterday, which refer only to Air France itself and exclude its Air France Europe (formerly Air Inter) subsidiary, the airline increased gross operating profit to FFr3.7bn, up from FFr2.7bn in calendar 1994.

But it fell short of its FFr4bn gross operating profit target for 1995-96, largely because of last December's public-sector strikes. On a net operational basis – after depreciation and before financial charges – the airline said it broke even last year, while after financial charges, the net loss was less than FFr1.2bn. The overall net loss for 1995-96 is expected to include a FFr630m charge for reducing cabin crews.

Air France has received FFr15bn in state aid since 1994, and is due to receive a final FFr5bn tranche under a plan agreed with the European Commission. This restricts the airline from increasing capacity, in effect prevents it from undercutting its competitors' prices, and requires it to return to overall profit.

The airline put no figure on its total annual turnover in 1995-96, which amounted to FFr20.5bn for the first half of this period. But, indicating turnover was stable, the airline said it hoped in 1996-97 to produce a FFr5bn gross operating profit and a FFr115m net loss, on sales of FFr41.3bn.

NEWS DIGEST

Kvaerner completes Trafalgar House deal

Kvaerner, the Norwegian engineering and shipbuilding group, yesterday in effect completed its takeover of Trafalgar House, of the UK, announcing it had won acceptance of its £904m ($1.37bn) bid from shareholders representing more than 90 per cent of the company's capital. The deal was also given the green light by the European Commission competition authorities. *Hugh Carnegy, Stockholm*

Harsh winter lifts EVN

An unusually harsh winter lifted pre-tax profit of the Austrian utility Energie-Versorgung Niederoesterreich (EVN) by 46 per cent in the six months to February 29. Pre-tax profit jumped from Sch1.25bn to Sch1.73bn ($163m), and sales were up 11 per cent from Sch6.24bn to Sch6.95bn. *Eric Frey, Vienna*

Kühne & Nagel advances

Kühne & Nagel, the Swiss transport group, yesterday reported 1995 net earnings of SFr104m ($84.55m), 12 per cent up on a year earlier, and said it would further expand its operations this year despite what it called "disappointing forecasts" for the transport market. Sales fell 3.7 per cent last year to SFr5.1bn, hit mainly by a slow-down in Europe and the US and by the Swiss franc's strength. *Michael Lindemann, Bonn*

Dassault Aviation ahead

Dassault Aviation, which the French government is trying to steer into a marriage with Aérospatiale, yesterday reported an increase in net group profit from FFr429m in 1994 to FFr526m ($102.54m) last year, despite a 8 per cent sales decline over the same period. The group said last year had brought in FFr14.2bn in new orders, and prospects were for an increase in turnover, given that over the past five years orders had exceeded sales by 20 per cent. *David Buchan, Paris*

Puma posts 9% rise

Puma, the German sports goods maker, yesterday reported pre-tax profits of DM24.9m ($16.49m) in the three months ending March, a rise of 9 per cent over the same period last year. Sales rose 9 per cent to DM161m. Proventus, the Swedish investment company which holds 82.4 per cent of Puma, also said it would reduce its stake to below 50 per cent as part of an effort to make the company more attractive to private investors. For the first time since the company was listed 10 years ago, the annual general meeting decided to pay a dividend of DM6 and DM19 on its preference stock, depending on its date of issue. *Michael Lindemann, Bonn*

■ Audi, the executive cars subsidiary of Germany's Volkswagen group, said sales climbed 20.5 per cent to a provisional DM4.7bn ($3.11bn) in the first quarter of the current year from DM3.9bn a year earlier. Pre-tax profits were DM588.7m, up from DM187.5m. Net profit was DM111m, up from DM22m a year earlier. *AFX News, Munich*

■ Navigation Mixte, the French holding company, said its 1995 net losses fell from FFr164m to FFr84m ($16.39m). The 1995 loss was after a charge of FFr52m for restructuring costs. It said it was targeting a return to breakeven in the current year, if the upturn in oil prices continued. Debt fell FFr382m to FFr1.47bn. *AFX News, Paris*

■ SGS-Thomson Microelectronics said net profit in the three months to March rose from $106.9m to $175m ($84.14m). Sales rose from $778.8m to $1.03bn. *AFX News, Paris*

AT&T chief under fire over pay

By Tony Jackson
in Miami

Mr Robert Allen, chairman of AT&T, came under fire over his pay at an occasionally hostile annual meeting yesterday. However, a motion which opposed the election of directors as a mark of disapproval was easily defeated.

Mr Allen's compensation package, worth up to $16m, has been criticised for being largely tied to the impending break-up of the company and the resulting loss of some 40,000 jobs.

He was awarded options, notionally worth almost $10m, when the break-up plan was announced.

Mr Ed Feigen, of the Teamsters' Union pension fund, opposed the re-election of directors on the grounds that they had over-compensated Mr Allen.

He blamed Mr Allen for the failed acquisition of the computer company NCR – now being spun off – and the 40,000 job losses, and claimed AT&T's stock had underperformed the market for the past three years.

Shareholders applauded Mr Feigen when he told them "our board of directors has failed us". However, the subsequent vote, including proxies, was some 94 per cent in favour of the board.

Mr Allen said the increase in AT&T's market value last year of $23bn was larger than for any other US company. "Last year I made essentially what I was paid the year before," he said.

Mr Allen's cash compensation last year, including bonuses, was $5.2m compared with $5.8m the previous year.

However, he also received options with a notional present value of $10.8m, of which $9.7m worth were tied to the performance of the share price in a 3-4 year period after the restructuring.

Mr Allen said: "The options today are not worth the paper they are written on. If you as shareholders don't benefit, I don't benefit."

AT&T also announced a 14 per cent rise in first-quarter earnings to $1.36bn, or 85 cents a share.

Excluding the businesses being spun off, the new AT&T phone services company raised earnings 14 per cent to $1.44bn, or 90 cents a share.

The businesses being divested, comprising the equipment business Lucent, NCR and AT&T Capital, made a net loss of $81m compared with $67m last year. NCR's operating loss was $37m compared with $172m.

The results of Lucent, which went public three weeks ago with a record-breaking $3bn share offering, will be released next week.

Robert Allen: compensation package of $16m criticised

IBM lifts payout after 'good but uneven' term

By Louise Kehoe
in San Francisco

International Business Machines yesterday reported stronger than expected first-quarter operating earnings and announced a long anticipated increase in its quarterly dividend.

After jumping $4¾ to $120¼ the computer company's shares came under pressure as analysts expressed concerns about flat revenues in IBM's core hardware businesses and difficult earnings comparisons in coming quarters. By midday IBM was down to $110½.

IBM's first-quarter performance was "good but uneven" said Mr Lou Gerstner, IBM chairman and chief executive. While revenues from services operations jumped 31 per cent to $3.2bn, hardware revenues were flat at $7.7bn.

Total revenues for the quarter increased 5 per cent to $16.6bn, from $15.7bn in the first quarter of 1995. Excluding special charges, net earnings were $1.4bn, or $2.48 a share, against $1.3bn, or $2.12 a share in the same period last year.

IBM recorded a charge of $435m, or 80 cents a share, related to its recent acquisitions of Tivoli Systems and Object Technology International, two software companies. In addition, IBM took a charge of $236m, or 27 cents a share, for workforce reductions, primarily outside the US.

Net earnings for the quarter after charges were $774m, or $1.41 a share.

Investors were heartened by a 10 cent increase in the quarterly dividend, to 35 cents, but the company acknowledged some negative trends that had an impact on first-quarter performance and are likely to influence earnings throughout the rest of the year.

Unfavourable currency translations, particularly between the US dollar and the Japanese yen, shaved about 2 cents a share off first-quarter earnings, but are expected to hit second-quarter earnings much harder, by about 25 cents a share, said Mr Rick Thoman, IBM chief financial officer.

Moreover, IBM's core mainframe and mid-range computer businesses are in the midst of long-term transitions to new technology. As new models are introduced, sales of existing products decline. Reduced sales of IBM's older bipolar mainframe computers in the first quarter were, for example, one of the "primary drivers" of lower revenues in that sector, Mr Thoman said. The effects of this transition are expected to last until 1997.

First-quarter revenues were also down for mid-range computers and data storage products, IBM said, while semiconductor revenues were decreased by a sharp drop in memory chip prices.

In the personal computer sector, growth in Europe and Asia partially offset weakness in the US market, IBM said. Overall revenues increased but gross margins declined.

Higher sales volumes help Merck increase 14%

By Richard Waters
in New York

A jump in sales volumes helped Merck, the US pharmaceuticals company, register a 14 per cent increase in after-tax earnings in the first quarter, although pressure on prices and a greater contribution from its lower-margin Medco business led to a decrease in profit margins.

Merck reported net income of $864m, or 70 cents a share.

The results were underpinned by a 17 per cent advance in volumes, which contributed to a 19 per cent rise in revenues, to $4.5bn.

Among the company's fastest-growing products was Zocor, a cholesterol-lowering agent, sales of which soared 55 per cent to $550m.

That made it Merck's second-biggest selling product, behind Vasotec, which registered a 6 per cent increase in revenues to $605m. Among other big-selling drugs, Prinivil saw sales of $120m, up 20 per cent; Mevacor sales rose 11 per cent to $260m and revenues from Proscar were 9 per cent higher at $120m. Sales of Pepcid fell 2 per cent to $255m.

Merck also reported a sharp rise in volumes handled by Medco, its prescription benefits management company, which also sells other companies' drugs. The number of prescriptions handled by Medco rose to 56m from 41m a year before, and 47m in the fourth quarter of 1995.

With higher prices contributing only 2 per cent of the revenue growth, and with the increased activity at Medco, Merck's pre-tax profit margin slipped from 28.7 per cent a year before to 27.3 per cent.

Mr Raymond Gilmartin, chairman, indicated that the pressure on margins from the low level of price increases had been offset in part by cost controls in both the manufacturing and the selling and administrative areas.

First-quarter US sales of Losec lift Astra shares

Shares in Astra, the Swedish pharmaceutical group, were lifted yesterday by news that sales of Losec, its fast-growing anti-ulcer drug, continued to surge in the US in the first quarter, writes Hugh Carnegy in Stockholm.

Astra Merck, the joint venture with the US group which markets Losec in the US, said sales of the drug leapt to $415m in the period, an increase of 57 per cent over the same period last year, when sales reached $265m. The increase was partly due to heavy inventory build-up by wholesalers. But Astra said underlying sales growth was about 40 per cent as Losec repeated the advance in US markets that it has made in Europe.

Astra's A shares rose SKr2.50 on the news to close at SKr292.50 in Stockholm.

The Swedish company is expected to show slower profits growth this year after 1995's 25 per cent rise in pre-tax earnings to SKr12bn ($1.78bn). This is chiefly due to the recent strengthening of the Swedish krona.

Coca-Cola ahead 12% in opening quarter

By Richard Tomkins
in New York

Coca-Cola, the US soft drinks company, yesterday reported a 12 per cent increase in net profits to $713m in the first quarter, despite economic difficulties in two important markets, Mexico and Argentina.

Earnings per share, boosted by stock repurchases, rose by 14 per cent to 57 cents, but the result fell just short of the expected 58 cents and the shares slipped $1⅛ to $80 in early trading.

Until recently Coca-Cola's shares had risen strongly on optimism about the company's international growth prospects. Recently, however, some of that optimism has been replaced by worries about the strength of the dollar and its effects on the translation of overseas earnings.

Coca-Cola reported first-quarter volume growth of 7 per cent world-wide. Mr Robert Goizueta, chairman and chief executive, said: "This kind of growth is right in line with our long-term goals, and is a very solid start for what we expect to be another extremely successful year."

Some of the strongest growth came from the group's North American operations, where volume rose by 8 per cent. Coca-Cola attributed this to innovative marketing, a boost from its sponsorship of this year's Olympics, and new products such as Barq's, Fruitopia and Powerade.

Outside the US, good performances came from the Middle and Far East division, which increased volume by 14 per cent, and from Greater Europe, which increased volume by 9 per cent.

However Latin America, held back by Mexico and Argentina, increased volume by just 2 per cent, and Africa, hit by unseasonably cold and rainy weather in South Africa, increased volume by only 1 per cent.

At Coca-Cola Foods, new advertising, packaging and products for Minute Maid, Hi-C and Five Alive helped produce a volume increase of 9 per cent.

Televisa plans big reshape following PanAmSat sale

By Daniel Dombey
in Mexico City

Televisa, the media group that has 80 per cent of Mexico's television market and 70 per cent of its magazine sector, is planning a big reorientation after its planned sale of its 40.5 per cent stake in PanAmSat, a private satellite operator.

The sale could raise up to $1.3bn, from an initial investment of $200m.

The company, which is also thought to be looking to divest other assets such as cable TV, plans to invest between $100m and $150m in a Direct To Home (DTH) satellite TV venture covering most of Latin America, and is looking to build a network of border stations to broadcast English language services to the US.

"It's a great opportunity to go back to our core business, which is programming," said Mr Guillermo Cañedo White, Televisa's executive vice-president and chief financial officer.

However, soap operas, traditionally Televisa's biggest money-spinner, will remain at the heart of its business.

The plans to reshape the company follow a year of crisis management. Following Mexico's currency devaluation and economic slump, Televisa steadied sales in the advance payment scheme that accounts for most of the company's television revenues, though sales for the group as a whole fell 9.8 per cent to 8.8bn pesos ($1.2bn) for the year.

"We had to deal with a very difficult situation," Mr Cañedo said. "But at the end of 1995 we had a chance to rethink strategy according to the new environment."

Investors have already pushed Televisa's shares up 12 per cent since its announcement on April 2 that it was contemplating selling its stake in PanAmSat. However, there are indications that a cable television joint venture with Teléfonos de Mexico (Telmex), the country's dominant telephone company, may not be prospering, which could dampen enthusiasm.

The company's $1bn debt has been a burden. Televisa wants to pay off a eurobond debt of $400m, which should cut its debt-equity ratio from 87 per cent to 54 per cent, according to ING Barings' estimates. It recently refinanced $200m with a bridging loan.

However, the company has not firmly established its plans for a 3.4bn peso loan extended by Banamex, Mexico's largest bank, which subjects it to Mexico's high interest rates but may carry a fine to discourage prepayment.

"The main objective of the company by disposing of these assets is to deleverage the company and to support our project with DTH," said Mr Cañedo.

Other possible disposals include Televisa's paging concern, SkyTel, which might raise up to $30m, and its 30 per cent stake in the US Spanish language cable service, Univision, which could raise a further $300m.

However, a proposal to sell its remaining 51 per cent stake in cable operator Cablevisión may arouse more concern. Last year, Televisa raised $131m by selling 49 per cent of Cablevisión to Telmex, the likely purchaser of the remaining stake.

Cablevisión has not been performing particularly well: revenues fell 23 per cent in 1995. Telmex and Televisa were upset by accusations of a monopolistic deal; and Televisa's relationship with Grupo Carso, Telmex's controlling group, has altered as Carso has increased its investment in other media companies.

However, a parting of the ways between the two companies would leave Televisa with less access to Telmex's enormous client data base – an asset which would be of great use in Televisa's future plans.

"If Telmex and Televisa were to go their separate ways, it would be bad news for the DTH programme, because Televisa would know less about the market," said Mr Shayne McGuire, an analyst with ING Barings in Mexico City.

The DTH project, which is in conjunction with Mr Rupert Murdoch's NewsCorp, O Globo of Brazil, and TCI, the US cable operator, would provide Latin America with a service similar to BSkyB in Europe and should come into full operation in the third quarter this year. Televisa has a 30 per cent stake in the venture.

However, debt repayment and the DTH venture may account for only half of the prospective PanAmSat proceeds.

Other proposals under consideration may include a share buy-back programme, and investments in television stations on Mexico's northern border, which would broadcast English language soap operas to the southern US.

Televisa has been trying to break into the English-language soap opera market for at least a year, and may spend between $160m and $170m later this year to buy a station in the northern city of Tijuana.

NEWS DIGEST

Bancomer in red after provisions

Grupo Financiero Bancomer yesterday became the first financial group in Mexico's troubled banking system to set aside provisions which cover the full amount of its bad loans. Bancomer announced it had created extraordinary reserves of 2.76bn pesos ($372m) against non-performing loans in the first quarter of 1996. As a result, the financial group reported a 1.865bn peso loss for the quarter. Before provisioning, however, Bancomer posted net earnings of 897m pesos, against a 188m peso loss in the last quarter of 1995.

Mr Javier Fernandez, chief financial officer, said his aggressive provisioning policy aimed to prepare the bank for stricter accounting practices, which Mexico's bank regulators plan to introduce later this year.

Bancomer's non-performing loans totalled 11.4bn pesos, or 9.2 per cent of its total loan portfolio, about half the level of bad debts in Mexico's banking system as a whole. The bank sold 15.6bn pesos of non-performing loans to the government last December in exchange for a commitment to strengthen its capital and reserves. *Leslie Crawford, Mexico City*

Strong gains at US brokers

Two US securities houses, Bear Stearns and Donaldson, Lufkin & Jenrette, reported strong earnings for the first three months of 1996, following the trend set by other groups. Bear Stearns earned $129m in the third quarter to March 29, compared with earnings of $82.7m a year earlier and of $105m in the group's second quarter. Earnings per share rose from 60 cents in the comparable quarter and 76 cents in the second quarter to 95 cents. Earnings for the nine months more than doubled from $151m to $328m, with earnings per share rising from $1.05 to $2.37.

DLJ, which was floated last October but is still 80 per cent owned by The Equitable insurance group, reported net income of $65.1m in the quarter, up from $37.5m in the same period of 1995, and from $57.6m in the last three months of 1995. Earnings per share increased from a pro forma 63 cents in the first quarter of 1995, and 93 cents in the last quarter, to $1.01.

Both firms reported a fall in compensation costs as a percentage of net revenues, although the high level of activity triggered increases in pay. Bear Stearns said compensation and benefits fell from 51 per cent to 49.5 per cent of net revenues for the quarter. At DLJ, the percentage fell from 60.1 per cent to 57.3 per cent. *Maggie Urry, New York*

RJR chief welcomes vote

Mr Steven Goldstone, RJR Nabisco chief executive officer, said the food and tobacco company could return to running its daily businesses, following a vote in which shareholders overwhelmingly defeated Brooke Group's bid to take control of the company. "It's a great day for the company and a great day for shareholders," Mr Goldstone said after the company's annual meeting. *Reuter, North Carolina*

Cost cuts lift BankAmerica

Echoing the recent headway made by other US banks in improving their operating efficiency, BankAmerica yesterday reported that its costs were virtually unchanged in the first three months of 1996 from a year before. Income of $720m, or $1.79 a share – a rise of 18 per cent – exceeded analysts' expectations. Lower staff numbers were in part behind the improvement. BankAmerica employed 94,100 at the end of March, 3,400 fewer than it had a year before.

The bank also benefited from a jump in trading and venture capital profits, and from a $50m gain on the sale of a business unit. These factors were behind a 17 per cent increase in non-interest income to $1.3bn. Net interest income advanced 5 per cent to $2.1bn, despite a small decline in lending margins as the bank borrowed more in the wholesale markets to support lending growth. *Richard Waters, New York*

Lower prices hit Methanex

Methanex, the world's biggest methanol producer, was hit by sharply lower product prices in the first quarter, posting net profit of US$14.4m, or 8 cents a share, down from $160.3m, or 83 cents, a year earlier, on revenues of $218m against $542m. World methanol prices, hurt by over-supply, averaged $141 a tonne in the quarter against $444 a year earlier. Prices have firmed slightly in the US in recent weeks, said Methanex. *Robert Gibbens, Montreal*

US groups quiet on merger talk

Bell Atlantic and Nynex, two of the largest US regional telephone service companies, declined to comment yesterday on reports that they are close to agreement on a $22bn merger. The companies, which have adjoining territories in the north-eastern portion of the US, have been rumoured to be in alliance discussions for several months.

Renewed reports of a Bell Atlantic-Nynex merger followed the announcement earlier this month of the merger of Pacific Telesis of California and SBC Communications, formerly known as Southwestern Bell, based in Texas. The trend toward mergers in the US telecoms industry follows the recent passage of legislation which liberalises the industry and allows local and long-distance operators to compete in each other's markets.

Both Nynex and Bell Atlantic have recently announced aggressive plans to offer long distance telephone services in markets outside their established regions. They have previously merged their cellular telephone operations. If Nynex and Bell Atlantic did merge, the combined company would have annual revenues of $27bn, making it the second-largest US telecom company, after AT&T. *Louise Kehoe, San Francisco*

Severe winter hurts Allstate

The severe winter weather in the US earlier this year dented earnings at Allstate, the country's biggest provider of home and car insurance. A 22 per cent fall in after-tax profits to $424m, or 94 cents a share, came despite a pick-up in revenues in its property-liability operations. Revenues in the business rose 9 per cent to $5.1bn in the period. The weather-related losses during the period looked particularly severe when compared with the exceptionally mild conditions of a year before, the company said.

Operating income in the property-liability unit was 32 per cent lower, at $259m. Allstate's overall performance was strengthened by an 8 per cent improvement in operating income from its life insurance business, to $94m, and after-tax capital gains of $78m, up from $56m a year before. *Richard Waters*

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All of these securities having been sold, this announcement appears as a matter of record only.

U.S. $3,025,000,000

Lucent Technologies

112,037,037 Shares

Common Stock

Joint Global Coordinators

MORGAN STANLEY & CO. Incorporated — *GOLDMAN, SACHS & CO.*

14,000,000 Shares

This portion of the offering was offered outside the United States and Canada by the undersigned.

MORGAN STANLEY & CO. International — *GOLDMAN SACHS INTERNATIONAL*

MERRILL LYNCH INTERNATIONAL

DEUTSCHE MORGAN GRENFELL — *PARIBAS CAPITAL MARKETS* — *SBC WARBURG* A Division of Swiss Bank Corporation — *UBS LIMITED*

BEAR, STEARNS INTERNATIONAL LIMITED — *CS FIRST BOSTON* — *J.P. MORGAN SECURITIES LTD.* — *PAINEWEBBER INTERNATIONAL*

ABN AMRO HOARE GOVETT — *ARGENTARIA BOLSA* — *CAZENOVE & CO.* — *CIBC WOOD GUNDY PLC* — *COMMERZBANK AKTIENGESELLSCHAFT* — *CREDIT LYONNAIS SECURITIES*

DAIWA EUROPE LIMITED — *DRESDNER BANK - KLEINWORT BENSON* — *ROBERT FLEMING & CO. LIMITED* — *HSBC INVESTMENT BANKING*

ING BARINGS — *NIKKO EUROPE PLC* — *NOMURA INTERNATIONAL* — *RBC DOMINION SECURITIES INC.* — *SCHRODERS* — *SOCIETE GENERALE*

98,037,037 Shares

This portion of the offering was offered in the United States and Canada by the undersigned.

MORGAN STANLEY & CO. Incorporated — *GOLDMAN, SACHS & CO.*

MERRILL LYNCH & CO.

BEAR, STEARNS & CO. INC.

CS FIRST BOSTON

J.P. MORGAN & CO.

PAINEWEBBER INCORPORATED

ALEX. BROWN & SONS Incorporated — *DEAN WITTER REYNOLDS INC.* — *DEUTSCHE MORGAN GRENFELL* — *DILLON, READ & CO. INC.* — *DONALDSON, LUFKIN & JENRETTE* Securities Corporation

A.G. EDWARDS & SONS, INC. — *HAMBRECHT & QUIST LLC* — *LAZARD FRERES & CO. LLC* — *LEHMAN BROTHERS* — *MONTGOMERY SECURITIES* — *OPPENHEIMER & CO., INC.*

PARIBAS CAPITAL MARKETS — *PRUDENTIAL SECURITIES INCORPORATED* — *ROBERTSON, STEPHENS & COMPANY LLC* — *SALOMON BROTHERS INC*

SBC CAPITAL MARKETS INC. — *SCHRODER WERTHEIM & CO.* — *SMITH BARNEY INC.* — *UBS SECURITIES LLC* — *WASSERSTEIN PERELLA SECURITIES, INC.*

ADVEST, INC. — *ARNHOLD AND S. BLEICHROEDER, INC.* — *ROBERT W. BAIRD & CO.* Incorporated — *SANFORD C. BERNSTEIN & CO., INC.* — *WILLIAM BLAIR & COMPANY* — *J. C. BRADFORD & CO.*

COWEN & COMPANY — *DAIN BOSWORTH* Incorporated — *EVEREN SECURITIES, INC.* — *FIRST OF MICHIGAN CORPORATION* — *FURMAN SELZ LLC* — *GRUNTAL & CO., INCORPORATED*

INTERSTATE/JOHNSON LANE Corporation — *JANNEY MONTGOMERY SCOTT INC.* — *EDWARD JONES* — *LEGG MASON WOOD WALKER* Incorporated — *McDONALD & COMPANY* Securities, Inc. — *NEEDHAM & COMPANY, INC.*

PIPER JAFFRAY INC. — *RAGEN MacKENZIE* Incorporated — *RAUSCHER PIERCE REFSNES, INC.* — *RAYMOND JAMES & ASSOCIATES, INC.* — *THE ROBINSON-HUMPHREY COMPANY, INC.*

SCOTT & STRINGFELLOW, INC. — *STIFEL, NICOLAUS & COMPANY* Incorporated — *SUTRO & CO. INCORPORATED* — *WHEAT FIRST BUTCHER SINGER*

M.R. BEAL & COMPANY — *CROWELL, WEEDON & CO.* — *FIRST MANHATTAN CO.* — *GABELLI & COMPANY, INC.* — *GERARD KLAUER MATTISON & CO., LLC*

GUZMAN & COMPANY — *WR LAZARD, LAIDLAW & LUTHER INC* — *PARKER/HUNTER* Incorporated — *PRYOR, McCLENDON, COUNTS & CO., INC.* — *MURIEL SIEBERT & CO., INC.*

April 1996

San Miguel shares drop sharply on profit warning

By Edward Luce in Manila

San Miguel, the Philippines' largest beer and consumer goods company, saw its shares tumble almost 10 per cent yesterday after senior executives warned of a deteriorating profits outlook.

The company said that rising interest payments on international investments and flat sales of beer would depress first-quarter earnings.

San Miguel's B shares, which are open to foreign buyers, fell 7.5 pesos to 78.5 pesos at yesterday's close, as the markets reacted to the company's forecast. The company has lost 22 per cent of its share value since January, leading to a sharp drop in its market capitalisation from 133bn pesos to 105bn pesos ($4bn). It has also dropped from first to third in market rankings this year as other blue chips have benefited from the Philippine stock exchange's overall buoyancy.

"We are recommending for the first time ever that our clients sell San Miguel shares," said Mr Ramon Borja, a researcher at Dharmala Securities in Manila. "The company has built up quite steep interest payments and is likely to suffer more from depressed demand for beer and other products among agricultural workers."

San Miguel, which posted net earnings of 5.38bn pesos last year, 9 per cent up on 1994, is expected to see a net profit drop for the first three months of 1996. Analysts' forecasts vary between a 5 per cent and 15 per cent decline.

In a market where corporate earnings are growing by an average of about 20 per cent, San Miguel's performance is being punished heavily.

At a debt-equity ratio of 1:1.15, San Miguel's interest liabilities are steep and rising. The company, which last year embarked on a five-year, 40bn peso international expansion plan, including new breweries in China, Indonesia and Vietnam, says its medium-term outlook is nevertheless bright.

However, with rising input prices for its beer and consumer goods products, and flat or marginal rises in rural consumption owing to zero growth in the agricultural sector in the last 18 months, the outlook for the remainder of 1996 is bleak. Analysts said the company's 1996 earnings would probably be flat.

The company is also hamstrung by a longstanding dispute with its former chairman, Mr Eduardo Cojuangco, over ownership of a large stake in San Miguel.

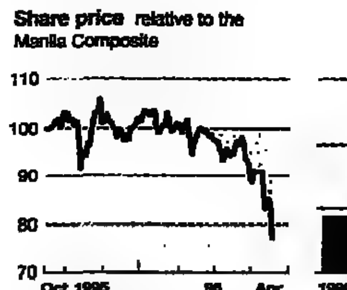
The battle has prevented San Miguel from fresh rights issues and forced the company to rely on the debt markets for raising capital.

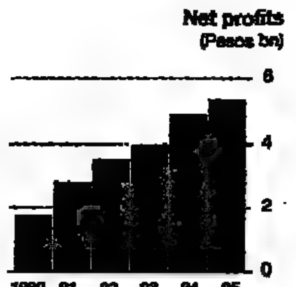
COMPANY PROFILE:
San Miguel

Market capitalisation	$4.2bn
Main listing	Manila
B shares: Historic P/E	13.5
B shares: Gross yield	0.7%
B shares: Earnings per share	3.5 pesos*
B shares: Current share price	78.5 pesos

*1996 forecast

Andres Soriano III
president





Source: Reuter; Datastream

Seiyu earnings doubled on cost and staff cuts

By Emiko Terazono in Tokyo

Seiyu, a leading Japanese supermarket operator, announced strong earnings growth for the 12 months to February, helped by an extensive restructuring programme.

The retailer posted unconsolidated recurring profits – before extraordinary items and tax – of Y8.1bn ($74.9m), up 96.9 per cent on the year, although its revenues fell 0.9 per cent to Y1,023.4bn. Net profits rose 75.6 per cent to Y4bn.

The company reduced the number of sales outlets and cut personnel costs, while the improvement of the balance on financial items also helped boost profits. The retailer managed to cancel out most of its extraordinary losses of Y45.3bn – including special allowances for retirees and financial support for Tokyo City Finance, its finance subsidiary – with special profits of Y41.4bn secured from asset sales.

Clothing sales fell 1.5 per cent to Y222bn and household goods sales dropped 3 per cent to Y175.3bn. Revenue in its foods department rose 1.5 per cent to Y422.5bn.

On a consolidated basis, the company's recurring profit fell 48.7 per cent to Y9.1bn on a 2.7 per cent drop in revenues to Y1,292.7bn. The company saw a net loss of Y6.3bn.

For the year to next February, Seiyu plans to close five to seven existing stores and open three new outlets. Non-consolidated current earnings are expected to rise 47.8 per cent to Y12bn because of a rise in gross margins and further cuts in personnel and operation costs while sales are expected to rise 0.6 per cent to Y1,030bn. Consolidated current profits are expected to rise 64.8 per cent to Y15bn on a 2.1 per cent increase in revenues to Y1,320bn.

Meanwhile FamilyMart, a convenience store operator and a Seiyu subsidiary, reported increases in sales and profits as a result of strong performance in prepared foods and increased sales of its own brand products.

The retailer saw an 11 per cent rise in unconsolidated recurring profits to Y20.1bn on an 11.7 per cent rise in sales to Y543bn. Net profits rose 27.2 per cent to Y11bn. On a consolidated basis, FamilyMart posted a 10.8 per cent rise in recurring profits to Y20bn on a 50.8 per cent rise in sales to Y128.5bn. Net profits rose 28.3 per cent to Y11.1bn.

For the full year to February, the retailer expects unconsolidated recurring profits to rise 8.3 per cent to Y22.3bn on a 15 per cent rise in sales to Y824.3bn.

Anglovaal Minerals ahead 59% in quarter

By Mark Ashurst in Johannesburg

Anglovaal Minerals, the South African gold mining finance house, yesterday posted a 59 per cent rise in total after-tax profit to R55.4m ($13.1m) for the quarter ended December 31 1995.

The improvement was the result of a higher bullion price and a strong performance at its flagship mine.

Analysts said that the benefits of cost reduction programmes introduced last year were reflected in lower working costs at the group's Hartbeestfontein mine, which reported an after-tax profit up from R27.8m to R48.6m.

The average production cost per kg fell to R38,888 from R40,100, while the average gold price received rallied to R48,295, compared with R44,727.

Capital expenditure fell to R6.2m, from R8.3m, in line with the industry trend.

"They are holding back [on spending] because they need to show returns and give investors some relief. A shift towards more capital expenditure will come if the [gold] price holds," said Mr David Hall, head of research at ING Barings.

Loraine mine returned to profitability after a loss of R1.8m in the previous quarter. Profit after tax was R2.5m, as the average yield increased to 4.5g a ton from 4.3g.

A fall in overall production to 1,563kg from 1,681kg, due to a two-day strike in early January, was offset by the higher price received. This resulted in a working profit of R2.2m, after a loss of R3.8m in the December quarter, and a rise in capital expenditure to R1.5m from R1.3m.

Analysts expected the mine's performance to improve in subsequent quarters, subject to the outcome of wage negotiations. But production costs, which fell from R48,148 to R47,612 per kg were still considered high.

Mr Rob Wilson, chairman, confirmed that spending forecasts for exploration were flat at between R16m and R20m a year.

The ore body near Loraine is expected to provide Anglovaal's staple income when reserves at Hartbeestfontein are exhausted after 2005.

Eastern Transvaal Consolidated Mines reported a 41 per cent drop in after-tax profit from R7m to R4.1m, as heavy rains and power failures caused tonnage milled to fall from 893kg to 760kg.

NEWS DIGEST

Lend Lease set to buy 25% of Mirvac

Lend Lease, the Australian property and financial services group, has agreed to buy shares and options which will eventually give it a 25 per cent stake in Mirvac, another local property development group. The deal is a friendly one, with the shares coming from Mirvac's founding chairman, Mr Henry Pollack, and Lend Lease being invited to appoint a director on the Mirvac board. Lend Lease has pledged not the raise its stake above 25 per cent unless a third party makes a bid for Mirvac, or an existing shareholder, with more than 14 per cent of the equity, goes above 15 per cent.

The two companies have co-operated on a number of developments, including residential projects in Auckland and Melbourne, and are collaborating on a bid for the Sydney Olympic Village project.

Lend Lease is buying 29m shares at A$1.15 each, and subscribing for up to 11.6 convertible notes, which can convert at A$1.30 a share. Total expenditure on the deal will not exceed A$48m (US$37.8m). Mirvac shares closed unchanged on the day at A$1.45, having reached a high of A$1.61.

Nikki Tait, Sydney

Comalco near decision on unit

Comalco, the Australian-listed aluminium group controlled by RTZ-CRA of the UK, said it would decide next month on its preferred location for a new alumina refinery, estimated to cost more than A$1bn (US$787m) to develop. A full feasibility study would then be conducted.

The company has large bauxite resources at Weipa, in the far north of Queensland, and either Gladstone, on the state's east coast, or Weipa have been viewed as the most likely sites, although overseas locations have also been considered. The facility would probably have an initial capacity of around 1m tonnes a year.

Speaking at the company's annual meeting in Melbourne, Mr Leigh Clifford, Comalco's new chairman, said he saw only modest growth in demand for aluminium for the rest of the year, but added that the longer-term outlook appeared "more favourable", with demand underpinned by economic growth in most of Asia.

Nikki Tait

North Flinders ahead in term

North Flinders Mines, part of Mr Robert Champion de Crespigny's Normandy group, yesterday announced a profit after tax of A$27.3m (US$21.5m) in the nine months to end-March, up from A$22.8m a year earlier.

Nikki Tait

Spicers buys fine paper group

Spicers Paper, the Australian paper group in which Amcor holds a 42 per cent interest, is to buy Intercontinental Forest Products, a group of fine paper distribution companies in Singapore, Malaysia and Hong Kong, for S$70m (A$63m). The seller is the Singapore-listed Inno-Pacific group.

Nikki Tait

Kyocera upbeat for year

Kyocera, the Japanese ceramic maker, said it expected its parent company revenue and pre-tax profit to rise strongly during the current financial year on the back of buoyant sales of personal handy phones and a favourable yen rate.

Kyocera declined to confirm figures reported earlier by the Nihon Keizai newspaper, which said the company expected to post a parent pre-tax profit of Y105bn ($971m), on revenue of about Y520bn. The company is soon to report its financial results for the 12 months to March 1996. It said it expected to post a parent pre-tax profit of Y92.0bn, on revenue of Y472bn.

AFX-Asia, Tokyo

CBA sets date for vote

Shareholders in Commonwealth Bank of Australia will be asked to decide on May 14 on the bank's proposed A$1bn share buy-back plan – to be conducted in conjunction with the federal government planned stock market flotation of its remaining 50.4 per cent holding in CBA. If all the government's remaining shares are sold in one tranche, it will be one of the largest privatisation transactions undertaken in Australia.

Nikki Tait

Prudential strikes upbeat note as sales rise

By Alison Smith, Investment Correspondent

Prudential, the UK's largest life assurance and investment group, expressed optimism about prospects for 1996 as it announced increased sales for the first quarter of this year compared with the same period in 1995.

The Pru's upturn is likely to be a sign that UK life companies should see some rise in sales when first-quarter figures for the sector are published in the next month or so.

Within the overall increase at the Pru there was a trend towards a greater emphasis on lump sum policies and away from products where the customer has to make a commitment to pay set amounts regularly over several years.

Mr Peter Davis, chief executive, was particularly pleased that sales of lump sum products were at their highest quarterly level for more than two years. "We are increasingly optimistic about sales for the rest of the year."

In the UK, the Pru's sales of lump sum life, pension and investment policies rose by just over one-third to £866m, more than making up for a slight drop in sales of regular premium policies, which slipped to £71m.

Worldwide, its sales of lump sum products rose 12 per cent to £1.61bn, while sales of regular contribution policies rose 4 per cent to £127m.

Mr Jonathan Bloomer, finance director, said the shift towards single contribution products was structural, although it was too early to say whether it was permanent. He said that one possible reason for it was that customers felt uncertain about the future, and so were reluctant to commit themselves to long-term policies.

The Pru's positive comments on its prospects were generally shared by analysts, although there was slight concern that the greatest areas of growth appeared to be in policies such as annuities and Peps which have lower margins than some other products.

Mr Roman Cizdyn, insurance analyst at Merrill Lynch, said: "There is a strong impression that there is a head of steam behind these figures. UK sales probably need to pick up a bit more, but they have the single premium business doing well."

Mr David Nisbet, insurance analyst at NatWest Markets, said the rise in the Pru's sales would probably be in line with the rise in sales across the life sector.

Pru shares rose closed 8p to up at 454p.

Signet advance bodes well for disposal plan

By Simon Kuper

Signet, the jeweller, yesterday increased its negotiating hand in talks to sell its UK chains when it reported better than expected group profits for the year to February and 24 per cent sales growth at its Ernest Jones stores since the year end.

Signet put its UK arm – the H Samuel and Ernest Jones chains – up for sale in January. Argos, the catalogue retailer and Goldsmiths, the jeweller, are among the bidders. Signet is believed to be seeking £300m ($456m) for the chains, and analysts said yesterday's figures would have made this price more feasible.

Some said the sale price would benefit from the recent upgrading of retail stocks as consumers had begun shopping more.

Group pre-tax profits for the year to February 3 tripled to £25m, although the previous year's £8.1m was depressed by a £6.3m loss on the disposal of the Salisburys handbag chain. Sales fell 3 per cent to £894.7m.

UK operating profits on continuing businesses after group and other costs rose 12 per cent to £18.1m. Operating margins in the UK rose from 6.9 to 8 per cent, but like-for-like sales fell 1.5 per cent to £336.8m. The decline came at the H Samuel chain, while sales at the premium Ernest Jones stores rose slightly.

The sales rise at Ernest Jones in the current financial year followed a modernisation of its stores. Mr James McAdam, Signet chairman, said this boded well for a similar revamp planned at H Samuel this year.

One analyst said that with UK operating margins likely to "nudge double digits" this year, a buyer of the chains could add little value. "You are not buying something that is bombed out and has an amazing recovery process ahead of it," he said.

Signet's net debt at the year-end was £308.2m, compared with £333.5m. The group also owes preference shareholders £135m in unpaid dividends, up £42m on the year, while redeeming their shares would cost £370m.

Smiths Industries ahead

By Tim Burt

Smiths Industries, the aerospace, medical equipment and industrial group, yesterday vowed to continue its four year acquisition programme after contributions from new subsidiaries helped lift first-half profits by 19 per cent.

The company – which makes advanced avionics, drug delivery systems and products for the construction industry – saw pre-tax profits increase from £58.2m to £69.5m ($105.64m) on sales of £466.2m (£413.6m) in the six months to February 3.

About half the increase was contributed by recent acquisitions such as FRB, the manufacturer of specialised electrical connectors, and Level 1, which makes medical equipment.

Sir Roger Hurn, chairman and chief executive, said the group would seek further bolt-on deals, likely to be financed from cash flow and borrowings.

Smiths' firepower should be increased in the second half by a £14m exceptional gain on the sale, last year, of its non-core housing portfolio, wiping out its £13.5m first-half borrowings.

The sharpest first-half growth was recorded by the industrial division, which defied sluggish conditions in the construction industry to lift profits by a third from £16.2m to £21.6m.

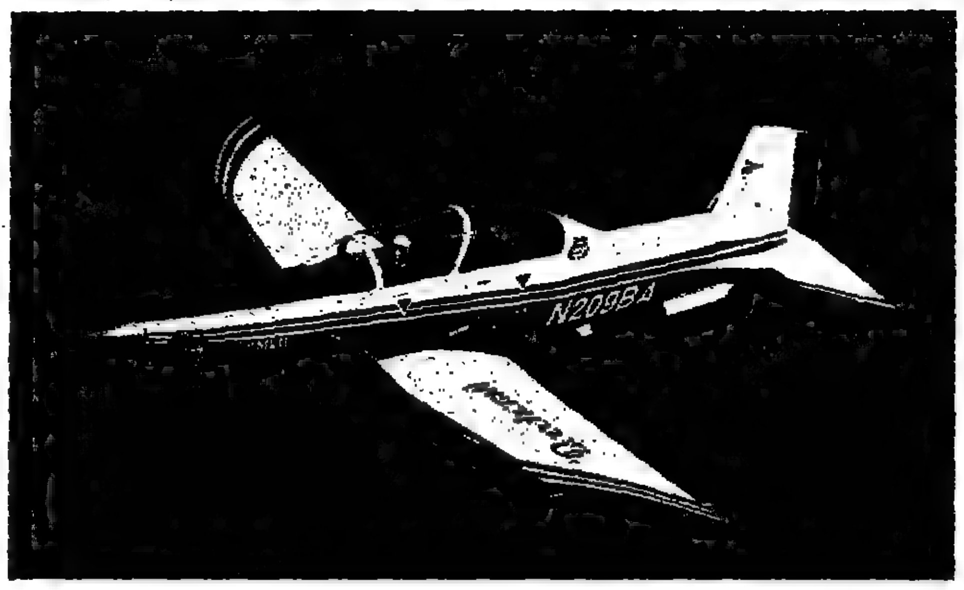
Sir Roger said that Mr Einar Lindh, appointed chairman of the division in February, was seeking further gains through rationalising its European operations and integrating some manufacturing plants.

Aerospace showed a modest rise from £16.4m to £17.2m.

● Smiths yesterday said its aerospace division had won orders worth more than $100m from Raytheon, the US aircraft manufacturer.

Under the initial contract – worth $23m – Smiths will supply cockpit equipment for 141 Raytheon Beech MkII primary trainer aircraft (right) ordered by the US Air Force and US Navy. The total programme involves 711 aircraft over 20 years.

See Lex, page 22



COMPANIES AND FINANCE: UK

BT and C&W may announce merger deal before approval

By Alan Cane

British Telecommunications and Cable and Wireless may announce their intention to merge before every aspect of what is proving to be a very complex deal has been settled. The suggestion that the two UK telecoms companies might be prepared to announce a merger in principle before regulatory and other permissions had been obtained makes an early conclusion to the talks slightly more likely.

"The two parties could not go across to Brussels or wherever and say 'Please agree to this now' before the terms had been set out," one observer said. "The natural process is to get to the point of deciding what it is you want to tell the world, then tell it and then you go off to put the final consents and agreements in place. Some of those agreements might require the two companies to modify their agreement."

Sources close to the talks yesterday compared the situation to the progress of the alliance between Deutsche Telekom, France Télécom and Sprint of the US. This deal, which resulted in a supercarrier called Global One, was announced two years before approvals were obtained from the US regulatory authorities and the European Commission.

> There has been no animosity towards the deal from any of the governments

While BT and C&W are refusing to comment on the progress of the negotiations, which now involve the chairman and chief executives of both companies as well as their financial advisers, those close to the talks said an announcement was unlikely for some weeks: "There are a myriad of problems to be solved," one said. "The two companies are only just getting to know one another."

Progress has been helped by the fact that BT chief executive Sir Peter Bonfield and his C&W counterpart, Mr Rod Olsen, knew each other before the talks began and get on well together.

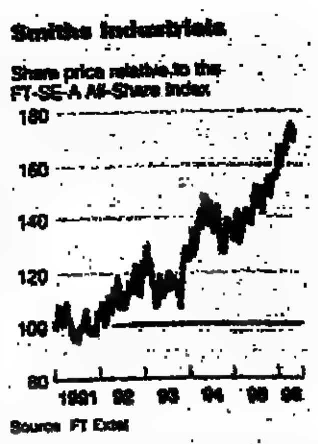
It is understood that both sides have been encouraged by the fact that there seems to be no animosity towards the deal from any of the governments of the countries whose approval will be needed if the deal is to go ahead.

The reaction of the Chinese authorities is not yet clear although reports of "concern" from leading officials are now accepted as misquotations.

C&W is delaying plans to announce a new chief executive to replace Mr James Ross who left the company late last year. It is understood that Dr Brian Smith, C&W chairman, has selected a candidate from a shortlist, but no action will be taken until the possibility of a merger has been resolved.

LEX COMMENT
Smiths Inds

Smiths Industries has prospered mightily in the past four years, despite the worst aerospace recession in living memory. The group cut costs early and hard in its aerospace division and used its formidable cash flow to expand its medical and industrial operations. Since 1991 it has made over £300m worth of bolt-on acquisitions, all of them for cash. The effect has been to transform relatively pedestrian organic growth – yesterday's results showed a like-for-like sales increase of only 6 per cent – into annual earnings growth of 15 per cent and more. This strategy propelled Smiths into the FT-SE 100 index last December and its shares now sit on 19 times earnings for this financial year – a 20 per cent premium to the market average.



With a rating like that, Smiths cannot afford to slip up. Its cash generation is as strong as ever: after tax, interest, dividends and capital spending, free cash regularly amounts to half of pre-tax profits. So far the group has found a ready supply of suitably priced targets to soak up that cash. Sooner or later, however, the group's increasing size and the fact that margins at its existing businesses are already high at 15 per cent, will probably tempt it into a big purchase.

That would increase the group's risk profile and require a share issue. But if Smiths can take part in the consolidation of the defence and aerospace industries, it could also bring opportunities. The idea of Smiths' proven management getting its hands on one of Europe's underperforming, state-run defence enterprises is certainly attractive.

Bent on vertical integration

Southern's approach to National Power anticipates freeing the supply market, says Patrick Harverson

Last year, Southern Company of Atlanta was the first foreign company to buy a UK electricity supplier and now the US-based utility is breaking new ground again by making a play for Britain's largest power generator.

Southern's announcement yesterday that it would consider a merger with National Power, the larger of the two electricity generators, was not entirely unexpected – shares in National Power had risen sharply the day before on speculation of a US bid – but it is likely to have caught the government on the hop.

Mr Ian Lang, president of the Board of Trade, is in the process of considering whether to agree with the reported recommendation of the Monopolies and Mergers Commission to allow National Power to take over Southern Electric, the regional electricity supplier.

If Mr Lang did not have enough on his plate already, the prospect of Southern Company merging its existing regional UK electricity supplier Sweb – which it acquired last year for £1.1bn – with a second supplier and the country's biggest power generator should give further pause for thought.

Certainly part of the reason for the stock market's somewhat guarded response to the news of Southern Company's interest in National Power yesterday was due to doubts over whether the government would allow such a concentration of electricity industry power in single, let alone foreign, hands.

As one industry insider said yesterday: "Any attempt to combine Sweb, National Power and a second rec [regional electricity company] is a definite MMC referral." A referral is something Southern Company would want to avoid at all costs.

Consequently, the Georgia-based group is expected to try to talk National Power out of proceeding with its agreed £2.8bn bid for Southern Electric. The US utility believes a combination of National Power and Sweb would be as good a generator-supplier fit as National Power and Southern Electric, or National Power and Sweb and Southern Electric.

Not everyone agrees, however. Some analysts believe the US group would be better off integrating Southern Electric with National Power. One said: "The main attraction to Southern Company is that the UK market is about to become vertically integrated and National Power has got its position in that market established through Southern Electric."

A senior industry executive yesterday went further, arguing that Southern Company would want to keep both recs and the generator under the same roof. He said: "From their point of view, it makes much more sense to put National Power together with both Southern and Sweb. On its own, Sweb is too small to give them leverage with National Power. But because they were forced to make a statement now, they know they face more regulatory obstacles."

While the financial, industrial and political complexities involved in Southern Company merging with National Power are considerable, the US group is determined to expand its overseas generating operations.

Already the largest utility in the US – where it serves customers in most of Georgia and Alabama, the panhandle of Florida and south-eastern Mississippi – Southern Company has a growing presence in power generation well outside its domestic market. It owns generating capacity throughout Latin America and the Caribbean.

It started looking at acquiring generating capacity in the UK in late 1994, but Southern Company quickly rejected the idea of acquiring individual power plants (too ineffectual) or moving into the nuclear power industry (too risky).

Its subsequent acquisition of Sweb intensified its interest in the generators. Knowing that its market share was falling steadily, the US group wanted to buy a generator and integrate it with Sweb in preparation for 1998, when the domestic supply market was opened up to competition and generators would face an even tougher fight to retain market share.

Southern Company chose National Power over PowerGen primarily because the former looked a better buy. The US group believed the stock market was undervaluing National Power, which left it more room to make a competitive bid and still strike a good deal for its shareholders. It also felt National Power would be a better fit operationally and managerially.

Whether Southern Company will ever get to make that fit work, and pull off its ambitious attempt to vertically integrate a sizeable chunk of the UK electricity industry, remains to be seen.

It must persuade National Power of the merits of a merger – and the US group is said to be reluctant, although prepared, to launch a hostile bid for the generator – but first it will have to wait for the government's judgment on the MMC report.

Reuters launches 3000 range

By Christopher Price in Geneva

Reuters yesterday launched its new 3000 range of data products which have taken three years developing and cost in excess of $100m (£65.7m).

The range was unveiled at the media and information group's biannual European forum in Geneva. More than 2,000 customers, investors and analysts are expected to attend the 7-day event.

Mr Peter Job, chief executive, said that the 3000 series was needed to "galvanize" sales and to maintain the group's record of achieving double-digit revenue growth.

The wave of mergers and takeovers in the banking and securities industries has held back the group's sales.

Mr Job said: "We are responding to a demand from people in the financial community for real-time data combined with historical analysis. People are increasingly needing to analyse data in different ways."

The 3000 series integrates real-time prices and news with historical data and analysis on a single screen. It's target audiences are corporate treasurers, investment managers and sales analysts.

More than 500 data analysts were used in the development of the data base with a similar number continuing to update the system. Mr Job added that Reuters would continue to build the database by striking further alliances with contents providers. The series is expected to go on sale in July.

Mr Job said that as the aim was to grow market share rapidly, prices would largely be kept in line with Reuters' other products such as the 2000 series.

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Dividends: Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Ask Central ϕ	Yr to Dec 31	3.08	(1.02)	0.228	(0.005L)	1.71	(0.04L)	-	-	-	-	-
Five Oaks	6 mths to Dec 31	3.13	([illegible])	1.04	(0.984)	1.01	(0.6)	0.35	May 29	0.3	-	0.7
Havelock Europa	Yr to Dec 31	55.7	(39.6)	5.28	(4.01♠)	13.5	(11.2)	2.4	July 8	2	3.6	3
Hemingway Props	Yr to Dec 31	13.1□	(10.2□)	2.87	(2.76♠)	1.57	(1.56)	0.35	May 31	0.4	0.35	0.4
Ryan Hotels ‡	Yr to Jan 25	26.3	(24.51)	2.8	(1.95)	3.87	(2.4)	1	Aug 7	0.75	1.5	1.25
Signet	53 wks to Feb 3 ★	894.7	(924.1)	25	(8.14)	8.41L✣	(9L✣)	nil	-	nil	nil	nil
Smiths Inds	6 mths to Feb 3 ★	498.2	(413.6)	69.5	(58.2)	16.4	(13.2)	5.6	June 7	5.05	-	14.4

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
[illegible] British	3 mths to Mar 31	101.2	(99.5◆)	0.455	(0.378)	2.22	(1.85)	2.1	May 31	1.95	-	7.95
[illegible] Inc & Growth	51 wks to Feb 29	115.5	(92.9)	1.6	(-)	6.48	(-)	1.5	May 14	-	6	-

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ϕAim stock. ♠After exceptional charge. □Gross rental income. ★Comparatives restated. ‡Irish currency. ✣Struck after additional finance costs of non-equity shares of £42.1m (£28.7m). ◆At December 31.

COMMODITIES AND AGRICULTURE

MARKET REPORT

Tin prices hit 5½-month highs

The TIN market put in a strong performance yesterday on the London Metal Exchange with prices closing at 5½-month peaks and looking likely to extend the current advance to the $6,600-a-tonne level, for the three months position, traders said.

"Tin has been strong all day, and with the June [delivery date] tight there is a good chance of it carrying on, even if copper and aluminium back off," one trader said.

Tin prices met expected Far Eastern producer selling in the mid-$6,500s but this was well countered by mostly speculative buying and last business for the three months quotation was at $6,565 a tonne, up $85.

The market's strength reflected a speculative operation around the June date, where a premium of $34 to 39 to three months was in place. There was buying of June call options at a strike price of $6,700 as well and, with a large open interest of some 7,000 tonnes concentrated around the June date, the potential for a squeeze in the low-liquidity market was high, traders said.

London Commodity Exchange ROBUSTA coffee futures were firmer in cautious trading after an early reminder that Brazil's frost season was approaching. Traders were sceptical but jittery after forecasts that a mass of polar air would cause frost in exposed areas of southern Brazil.

Compiled from Reuters

Australia unveils plan for wheat industry

By Nikki Tait in Sydney

Australia's new Conservative federal government yesterday unveiled a five-year plan for the country's wheat industry, which would see the Australian Wheat Board retain its control over the sale of Australian exports.

But Mr John Anderson, the new primary industries minister, said the government would need to put the board on an increasing commercial footing in the next few years, possibly through "corporatisation".

"There is a need to plan for the wheat industry when the government guarantees [for the board] end in 1999," he said. The industry, he added, needed to be restructured on the basis of grower-ownership and control of marketing and a fully-commercial approach to marketing.

Mr Anderson made his comments at the start of a three-day grain industry "summit" being held in Sydney.

At present, the Australian Wheat Board handles all export sales of Australian wheat, although the domestic wheat market is now deregulated. However, statutory marketing arrangements in the agricultural sector generally have come under attack from competition advocates, who claim that such arrangements are inefficient and costly.

Cargill Australia, part of the big US-based commodity trader, also spoke out against the AWB's role earlier this year. It suggested that the Australian wheat industry would be less likely to attract large-scale investment if companies were not given access to bigger market opportunities.

In reply, the AWB has claimed that its single desk arrangement allows Australia to compete effectively against other big trading groups in the international arena – and helps guarantee continuity of supply, quality and customer support.

Guernsey tomato growers pay the price of complacency

The crop area is down to about 12 hectares from 400 hectares 40 years ago, writes Geoff Tansey

Flying into the tiny island of Guernsey, once famous for its Guernsey Toms (tomatoes), the glasshouses are its most obvious feature.

"The abundance of glass" also struck Sir George Head in 1838, but what is grown inside them has changed dramatically since then. Grapes were the main export crop at the start of this century, with over 2,500 tonnes exported in 1915 – even now the glasshouses are widely called "vineries". A drive around today, however, reveals many unused glasshouses and most others filled with flowers and pot plants; for the tomato industry that 40 years ago provided around 80 per cent of the island's GDP and covered about 400 hectares now accounts for only about 12 hectares, according to Fred Bell, a horticultural adviser on Guernsey for many years.

It is about 400 years since tomatoes – initially yellow and called 'love apples' – first arrived in the British Isles. For Guernsey, the late 1950s were the years of the tomato, with 15 per cent of the island covered with glass and Guernsey Toms were on greengrocers' shelves. Today, the glasshouse area is down to about 190 hectares. Tomatoes still bring in about £3m to the island each year although the Guernsey Tom name is no longer seen in the supermarkets. The finance industry is the biggest contributor to GDP today.

In the Nicholsons' high-tech operation integrated pest management techniques are used, with specially-bred bumble bees for pollination.

The key problem was in the 1970s when others modernised but Guernsey industry sat still, believes Mr Bell. Most growers kept to the old wood-framed greenhouses while their competitors were putting up metal ones.

"The biggest mistake in Guernsey was that growers thought they were the leaders and didn't look further than the harbour," says Philip Nicholson, who, with his brother Alan and their 83-year-old father, still grow just over two acres of tomatoes between them. Standing in his older 1,100ft glasshouse – on Guernsey they measure size in units of feet times 30ft wide – he says he would pull it down if going into tomatoes now and build one like their new double-glazed glasshouse.

The Nicholson family runs a high-tech operation, using the now industry-standard integrated pest management techniques with specially-bred bumble bees for pollination, various insects to control pests, low-level carbon dioxide, rock-wool growing materials and computer controls.

The F1 hybrid variety they, and many other Guernsey growers, favour is Ferrari. This yields around 500 tonnes a hectare, which compares with some 240 tonnes/ha for many English growers. "This variety may not give a lot of weight, but this is what the supermarkets want for quality, long life and taste", says Mr Nicholson. Despite the lower yields, it pays because 98 per cent of the Ferrari that leaves the island is taken by the supermarkets.

Cherry tomatoes have also become a popular crop in recent years, accounting for about a third of the area in tomatoes in 1993. All the fruit is packed by the Guernsey Growers Co-operative, inspected, bar coded and shipped out.

For one company that has a long association with Guernsey – PBI, a wholly-owned subsidiary of Japanese trading house Sumitomo Corporation since the early 1990s and maker of BabyBio plant foods and garden products – the island was an obvious place to launch its new tomato food. It aim to get people growing tomatoes at home rather than buying them in.

PBI's Guernsey office supplied much of the commercial tomato food in Guernsey's heyday of tomato production. Now, it has used the formula developed for the island's commercial producers for its two stage BabyBio Tomato Food. A desire for better flavour, quality and taste is what Simon Crossland, PBI's marketing director, hopes will persuade people to grow their own tomatoes. While that may be good for PBI, it will not be for those few remaining commercial tomato producers remaining on the island. Even Mr Nicholson agrees that "if you grow your own in the ground it will be much tastier".

Change in what Guernsey produces is in the nature of things, believes Naill McCathie, a deputy of the States of Guernsey. While 100 years ago people were bemoaning the loss of grapes, today tomatoes, he sees the growth of flowers and plants as showing the resilience of the island's horticulture.

Raymond Evison has certainly embraced that. From nothing ten years ago, his Guernsey Clematis Nurseries now produce 3m plants a year, claimed to be around one in five of those sold in wholesale markets. He sells from his 3.5 acres to 19 countries. Almost half goes to the US and he has recently been exporting to Japan.

To secure a horticultural future, the island's growers certainly have to look beyond the harbour today.

Southern Africa on track to harvest a bumper maize crop

The Southern Africa region is on track for a bumper maize crop in the 1996-97 season thanks to soaking rains and increased plantings, industry observers said this week, report Reuters from Johannesburg.

In spite of the improved yields after years of drought, however, South Africa and Zimbabwe will remain the region's only potential exporters as food shortages in other countries mop up any local surpluses.

"Southern African weather is extremely volatile but we have been blessed with good rains in January and February, which were well above normal levels," said a trader at a major international commodity trading house.

Regional maize output was expected to soar 77 per cent to 19.59m tonnes from 11.1m last season, according to figures from the Early Warning Unit of the Southern African Development Corporation released at the end of March. Even war-torn Mozambique and Angola would show significant crop improvements, with the former expected to produce a small surplus for the first time in many years, the SADC said.

"The prospects for the region look good. Especially South Africa, which is expected to double its maize crop, and Zimbabwe, which is supposed to triple its output," said Ms Sheila Machiri, deputy sector co-ordinator at the SADC food security unit in Harare.

South Africa should harvest a 9.563m-tonne maize crop in 1996, a 117 per cent rise on last year's revised figure of 4.405m, the country's National Crop Estimates Committee said in its first, forecast released last month.

More optimistic still is the US Department of Agriculture, which last week raised its South African crop estimate to 10.5m tonnes from its previous estimate of 10m tonnes. The USDA also raised its estimate for South African maize exports by 500,000 tonnes to 2.5m tonnes.

Grain buyers from around the world were queueing up to buy South African maize as US prices shot through the roof amid poor forecasts for the US crop this year, traders said.

"World stocks of maize as a percentage of consumption are at their lowest levels in 20 to 25 years and prices are soaring," said one. "Japanese and South East Asian buyers are keen to buy our surplus maize."

Zimbabwe's maize harvest is predicted to be between 2m and 2.7m tonnes, compared with about 800,000 tonnes last year, according to SADC and Zimbabwean Reserve Bank estimates. The central bank said earlier this month that Zimbabwe was expected to export around 200,000 tonnes of maize after a four-year export ban because of drought.

But the SADC was not so confident. "Although current projections suggest the maize harvest will be sufficient to cover total maize requirements. . . localised food deficits are expected," it said.

"The need to replenish the strategic maize reserves may result in minimal or no maize available for export during the 1996-97 marketing year."

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1572.5-3.5	1607-8
Previous	1554-55	1599.5-600
High/low	1572.5/1571.5	1613/1603
AM Official	1572-72.5	1607-7.5
Kerb close		1608-9
Open int.	211,541	
Total daily turnover	42,595	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1325-35	1365-70
Previous	1330-40	1370-80
High/low		1375/1365
AM Official	1320-30	1360-65
Kerb close		1365-70
Open int.	4,903	
Total daily turnover	418	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	814-15	806-7
Previous	804-805	799-800
High/low	816	811/802
AM Official	815.5-16.5	807-8
Kerb close		811-12
Open int.	37,608	
Total daily turnover	8,678	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	8125-35	8225-30
Previous	8090-100	8185-90
High/low		8268/8180
AM Official	8115-25	8210-20
Kerb close		8289-90
Open int.	38,222	
Total daily turnover	7,241	

■ TIN ($ per tonne)

	Cash	3 mths
Close	6545-55	6550-60
Previous	6465-75	6470-80
High/low		6580/6490
AM Official	6540-50	6545-50
Kerb close		6560-65
Open int.	18,724	
Total daily turnover	5,216	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	1040-41	1066-67
Previous	1040-41	1065.5-67.0
High/low		1073/1066
AM Official	1044-45	1070.5-71.0
Kerb close		1067-8
Open int.	71,420	
Total daily turnover	7,241	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	2594-95	2568-69
Previous	2565-67	2550-51
High/low		2575/2547
AM Official	2581-83	2561.5-62.5
Kerb close		2570-71
Open int.	169,279	
Total daily turnover	68,234	

■ LME AM Official £/$ rate: 1.5078
LME Closing £/$ rate: 1.5087

Spot 1.5075 3 mths: 1.5058 6 mths: 1.5041 9 mths: 1.5026

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open int
Apr	120.20	+1.40	120.50	118.30	237	1,692
May	119.60	+1.20	120.70	118.40	9,644	17,269
Jun	118.70	+1.05	118.55	117.40	28	1,076
Jul	117.41	+0.80	118.10	116.35	1,775	11,804
Aug	116.55	+0.75	116.50	116.50	4	561
Sep	115.70	+0.70	116.20	114.90	268	3,623
Total					4,348	46,671

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

[illegible]

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Apr	390.6	-0.4	391.5	390.6	182	187
Jun	393.0	-0.5	393.8	392.7	40,323	101,424
[illegible]						

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

[illegible]

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

[illegible]

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

[illegible]

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

[illegible]

■ CRUDE OIL IPE ($/barrel)

[illegible]

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

[illegible]

■ GAS OIL IPE ($/tonne)

[illegible]

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

[illegible]

■ UNLEADED GASOLINE NYMEX (42,000 US galls.; c/US galls.)

[illegible]

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
May	127.25	+0.65	127.40	126.90	335	1,915
Jul	130.65	+0.85	130.25	128.90	247	1,143
[illegible]						

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

[illegible]

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

[illegible]

■ BARLEY LCE (£ per tonne)

[illegible]

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

[illegible]

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

[illegible]

■ SOYABEAN MEAL CBT (100 tons; $/ton)

[illegible]

■ POTATOES LCE (£/tonne)

[illegible]

■ FREIGHT (BIFFEX) LCE ($10/index point)

[illegible]

FUTURES DATA
All futures data supplied by CMS.

Nuts and Seeds
[illegible]

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
May	998	-5	1009	996	1,360	10,637
Jul	1020	-10	1037	1019	986	29,639
[illegible]						

■ COCOA CSCE (10 tonnes; $/tonnes)

[illegible]

■ COCOA (ICCO) (SDR's/tonne)

[illegible]

■ COFFEE LCE ($/tonne)

[illegible]

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

[illegible]

■ COFFEE (ICO) (US cents/pound)

[illegible]

■ WHITE SUGAR LCE ($/tonne)

[illegible]

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

[illegible]

■ COTTON NYCE (50,000lbs; cents/lbs)

[illegible]

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

[illegible]

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME and CSCE are one day in arrears.

INDICES

■ REUTERS (Base: 18/9/31=100)

[illegible]

■ CRB Futures (Base: 1967=100)

[illegible]

■ GSCI Spot (Base: 1970=100)

[illegible]

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Apr	58.450	-0.475	58.975	57.550	1,981	2,642
Jun	60.275	+0.250	60.450	59.300	10,810	39,136
[illegible]						

■ LIVE HOGS CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
[illegible]						
Oct	47.425	+0.075	47.500	46.550	295	3,849
Dec	49.250	+0.050	49.250	48.400	188	3,425
Total					4,182	24,775

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
May	76.075	+2.000	76.075	72.400	1,320	4,478
Jul	75.600	+1.675	75.700	72.400	1,173	3,868
Aug	72.675	+1.075	72.900	70.400	319	1,290
Feb	68.900	+0.375	69.900	68.500	68	367
Mar	70.000	-	70.000	70.000	1	12
May	73.500	+1.025	70.500	70.500	3	11
Total					2,878	10,094

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

■ ALUMINIUM (99.7%) LME

	Calls May	Calls Sep	Puts May	Puts Sep
1500	85	151	-	22
1600	12	87	24	55
1700	-	44	112	109

■ COPPER (Grade A) LME

	Calls May	Calls Sep	Puts May	Puts Sep
2400	199	159	-	32
2500	100	97	1	68
2600	23	54	24	121

■ COFFEE LCE

	Calls May	Calls Jul	Puts May	Puts Jul
1850	27	122	4	120
1900	4	101	31	149
1950	-	84	77	182

■ COCOA LCE

	Calls May	Calls Jul	Puts May	Puts Jul
875	121	148	-	3
900	96	126	-	6
925	71	105	-	10

■ BRENT CRUDE IPE

	Calls Jun	Calls Jul	Puts Jun	Puts Jul
1850	90	-	93	-
1900	69	42	95	173
1950	61	-	124	-

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel)

		+or-
Dubai	$16.84-6.89x	-0.205
Brent Blend (dated)	$20.02-0.10	-1.070
Brent Blend (June)	$18.72-8.75	-0.590
W.T.I.	$20.77-0.82x	-0.630

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	$222-224	-10
Gas Oil	$184-186	-7.5
Heavy Fuel Oil	$109-111	
Naphtha	$108-200	-4.5
Jet fuel	$196-198	-7.5
Diesel	$189-191	-8.5

■ NATURAL GAS (Pence/therm)

Bacton (May)	9.50-9.65	-0.025

Petroleum Argus. Tel. London (0171) 359 8792

■ OTHER

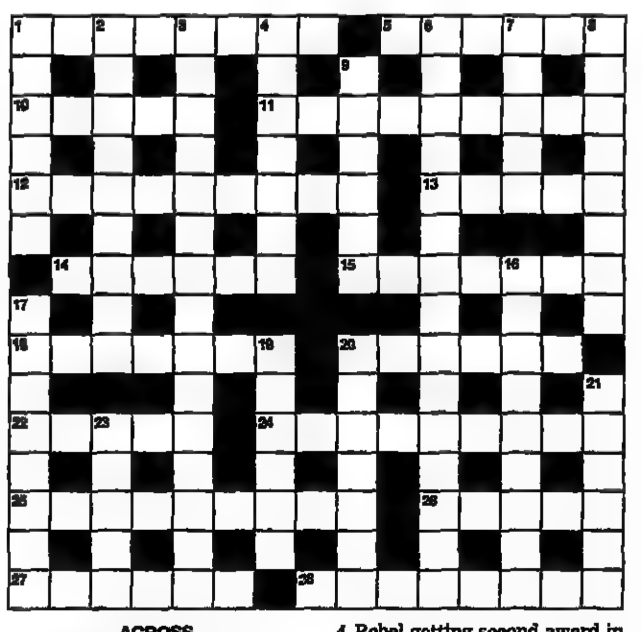
Gold (per troy oz)♣	$391.45	-0.85
Silver (per troy oz)♣	533.50c	-8.00
Platinum (per troy oz.)	$401.50	-1.50
Palladium (per troy oz.)	$135.50	-0.50
Copper	125.0c	
Lead (US prod.)	45.00c	
Tin (Kuala Lumpur)	15.99r	+0.05
Tin (New York)	307.50	+3.0
Cattle (live weight)	100.76p	+1.78*
Sheep (live weight)	178.89p	-10.30*
Pigs (live weight)†	107.20p	-5.07*
Lon. day sugar (raw)	$298.50	-4.50
Lon. day sugar (wte)	$394.00	-5.00
Barley (Eng. feed)	Unq	
Maize (US No3 Yellow)	146.5	
Wheat (US Dark North)	Unq.	
Rubber (May)♥	98.75p	-0.25
Rubber (Jun)♥	98.75p	-0.25
Rubber (KL RSS No1)	362.50m	-1.50
Coconut Oil (Phil)§	$760.0	+10.0
Palm Oil (Malay.)§	$555.0	-5.0
Copra (Phil)§	$486.0v	
Soyabeans (US)	228.0v	-3.0
Cotton Outlook 'A' index	82.00c	-1.55
Wooltops (64s Super)	444p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. x June. v Apr/May. y Apr/Jun. ♥ London Physical. § CIF Rotterdam. ♣ Bullion market close. * Change on week. †Based on 1,610 head of pigs sold.

JOTTER PAD

CROSSWORD

No.9,046 Set by DOGBERRY



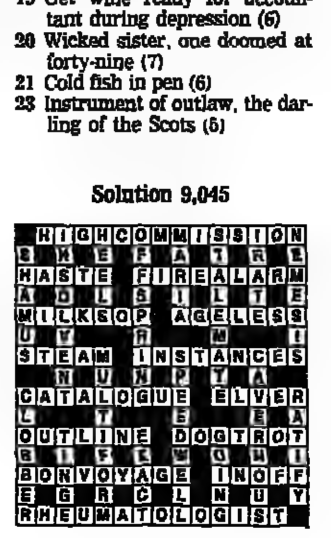
ACROSS

1 Approach to performing a duet about bird (8)
5 Burning to put a halt to feminist leader (6)
10 Fuel resistance in fictional island (5)
11 Opera featuring geisha, more than half rejected, getting cooked (9)
12 Like brand to be rendered fit for consumption (9)
13 Her exceptional looks excited naughtiness, initially, in Paris (5)
14 Public address at junction to give offence (6)
15 Roundly beat counter-revolutionary (7)
18 Composer in party coming back burned (7)
20 Farmhouse egg turned – was very soft inside (6)
22 Mineral containing second-rate record (5)
24 Trick paper soldier (9)
25 Split, about to have a drink (9)
26 Harden urine solution (5)
27 Demonstrator of washing equipment (6)
28 Crawling further forward between frizzy ends (8)

DOWN

1 Where amusements are bounding bounder? (6)
2 Conclude with model – a model wearing fur (9)
3 Forever's not long to a 6 (4,7,4)
4 Rebel getting second award in handicraft (7)
6 Millenarian ripping shirt off in match (5,10)
7 Eastern currency, outside, raised spirit (5)
8 Risk violent emotion on purpose (8)
9 Say sorry and shut up again? (6)
16 Naked courage after Spain's plunged in darkness (9)
17 Diggers smothering brayer with treacle (8)
19 Get wine ready for accountant during depression (6)
20 Wicked sister, one doomed at forty-nine (7)
21 Cold fish in pen (6)
23 Instrument of outlaw, the darling of the Scots (5)

Solution 9,045



INTERNATIONAL CAPITAL MARKETS

Treasuries slip despite housing slowdown

By Lisa Bransten in New York, Samer Iskandar and Richard Lapper in London

US Treasury prices edged lower in early trading yesterday despite data suggesting that home building activity was slowing, and reports of another decline in an important commodity index.

Bond prices rose briefly early after the Commerce department said that new housing construction fell 3.9 per cent in March. Also positive for the market was a fourth consecutive daily fall in the Knight Ridder-Commodities Research Board commodity index. The KR-CRB fell 0.36 to 255.48 in early trading. The KR-CRB soared throughout March and early April.

However, none of that news was enough to keep bond prices in positive territory.

Near midday, the benchmark 30-year Treasury was down 1/32 at 89 3/32 to yield 6.804 per cent, while at the short end of the maturity spectrum, the two-year note fell 1/32 at 100 1/32, yielding 5.953 per cent. The June Treasury bond future was off 11/32 at 109 3/32.

Mr Ed Yardini and Ms Debbie Johnson of Deutsche Morgan Grenfell said that while construction remains "relatively high, rising mortgage rates suggest there's more downside than upside".

Mr John Spinello, a government securities strategist at Merrill Lynch, said: "The fact that commodities have come off their extraordinary run is not enough to help the market very much." The market would probably remain bearish for the next several sessions as it faces a wave of new supply set to come out in next week's auctions of two-year and five-year notes, he said.

Also weighing on the market were a second wave of selling of mid-term maturity bonds, and a weaker dollar. Mr Spinello said he had seen selling on Tuesday of five and 10-year notes and more 10-year selling yesterday. In early trading, the benchmark 10-year was off 1/32 at 93¾ to yield 6.503 per cent.

After several strong sessions, the dollar weakened against the D-Mark. In early trading the US currency was changing hands for DM1.5067 compared with DM1.5101 late on Tuesday.

GOVERNMENT BONDS

■ German bunds lost ground in thin trading, while the market awaited today's Bundesbank council meeting. Liffe's June bund future closed at 96.23, down 0.42. In after-hours trading, it bounced off the 96.20 barrier several times, which showed that this level offers solid support for the contract. Volumes were thin, and traders saw sharp price fluctuations as one large American investment bank reportedly sold a number of bund futures to buy US 10-year T-note futures.

Meanwhile, the 10-year spread of French OATs over bunds tightened by 3 basis points to 12, highlighting bunds' weakness relative to other markets.

On Matif, the June 10-year notional contract settled at 121.96, down 0.18. In the cash market, the 5¾ per cent BTAN due 2001 fell 0.13 to 99.88, while the 10-year benchmark OAT lost 0.23 point to 104.80.

■ UK gilts were particularly weak, falling more than most other markets, after the publication of stronger than expected employment data. Minutes of the March meeting, when Mr Kenneth Clarke, chancellor of the exchequer, decided the latest rate cut, were also released, showing he was ready to start raising interest rates this year if necessary. Liffe's June gilt future settled at 105 9/32, down ⅝. Futures on three-month interest rates fell sharply, with the December contract of Liffe's short sterling futures losing 0.17 point to 96.32.

In the cash market, short and medium-term maturities suffered most. The benchmark five-year gilt fell 11/32 to 101 3/32.

■ Currency weakness and uncertainty about the outcome of the country's elections on Sunday undermined the Italian market, with the 10-year BTP future closing nearly a point down on the day. In the cash market, the 10-year yield spread over bunds, which has narrowed in recent weeks as a result of falling inflation and a stronger lira, yesterday widened back out, closing 8 basis points higher at 407.

■ Spanish bond futures closed slightly lower following a bout of profit-taking at the end of a choppy day's trading. At Meff, the 10-year BTP future settled at 97.55, down 0.44. In the cash market the 10-year yield spread over bunds remained at 289 basis points.

■ Irish gilts continued to be the strongest performers in Europe. The benchmark 8 per cent bond due 2006 closed at 101.37, down only 0.08. This tightened the spread over UK gilts by another 9 basis points to a negative 46 basis points.

The Treasury tapped the 10-year issue for another I£75m, on the heels of Tuesday's I£100m auction. The decision to issue was mainly due to very strong demand for Irish gilts, notably from overseas investors.

Flurry of paper in dollar and D-Mark sectors

By Conner Middelmann

The eurobond market yesterday market saw another rash of retail-targetted short-dated offerings in dollars and D-Marks.

Austria's OKB issued $200m of bonds maturing in November 1999, priced to yield 3 basis points over Treasuries at the re-offer price – much tighter than other recent deals in that maturity. However, according to lead manager BZW, the issue's government guarantee and OKB's relative rarity in the dollar sector justified the terms. "The issue came 5 basis points inside Deutsche Bank's bonds [launched Tuesday] - considering this is a sovereign deal, this compares well," an official said.

DePfa Bank issued $200m of two-year bonds with a 6⅛ per cent coupon. The re-offer spread of 15 basis points over Treasuries widened slightly to close at 18 over. However, according to joint leads Commerzbank and Nomura, the deal saw good demand from retail accounts across Europe.

In the D-Mark sector, Hewlett-Packard Finance issued DM200m of three-year bonds at a spread of 13 basis points over bunds which was aimed mainly at Swiss retail investors, lead manager SBC Warburg said.

INTERNATIONAL BONDS

The French franc sector saw a FFr3bn 10-year offering for Japan's Kansai Electric Power. "It went very well – a lot of people who didn't get paper in [Monday's] Japan Exim Bank issue bought this deal," said an official at Banque Paribas, which jointly led the deal with Merrill Lynch.

Elsewhere, the Federal National Mortgage Association (Fannie Mae) launched a $500m three-year global bond callable after two years, which will be priced today at a spread of 41 basis points over Treasuries, via Goldman Sachs and Merrill Lynch.

Another US agency, the Student Loan Marketing Association (Sallie Mae), will today launch a $1.5bn global floating-rate note issue pegged to US Treasury Bill interest rates, rather than Libor, via Lehman Brothers.

Also today, the National Bank of Hungary is to launch DM500m of six-year floating-rate notes via WestLB. "It should go well – there's a lot of demand for Hungarian paper," said one banker. He said yield spreads on Hungary's outstanding dollar bond due 2002 had fallen by about 200 basis points since October, partly on expectations that Hungary's credit rating would be upgraded.

Elsewhere, Bank Handlowy W Warszawie, Poland's largest bank, was awarded an investment-grade rating of Baa3 by Moody's.

Mexico offers Brady exchange

By Leslie Crawford in Mexico City and Richard Lapper in London

The Mexican government yesterday launched an offer to exchange between $1bn and $2.5bn of its outstanding Brady bonds for a new 30-year dollar-denominated global bond.

The final size and value of the issue will depend on the response of existing holders of Brady bonds at a "Dutch auction" to take place next month.

This is the first time the government has attempted a 30-year sovereign debt issue in what is expected to be an important test of investor confidence in Mexico following last year's financial crisis, when the country came close to defaulting on $29bn of short-term debt.

Goldman Sachs, Chase Securities, Deutsche Morgan Grenfell/CJ Lawrence and Salomon Brothers managed the deal. Mr Guillermo Ortiz, Mexico's finance minister, said the new issue reflected the government's belief that Mexico was paying investors too high a premium for assuming Mexican country risk.

The Mexican government also argues that its Brady bonds do not efficiently measure Mexican risk. Brady bonds, named after Mr Nicholas Brady, the former US Treasury Secretary who helped Mexico restructure its foreign debt in the 1980s, are collateralised by 30-year US zero-coupon Treasury bonds. Mr Ortiz estimates there are currently about $23bn of Mexican Brady bonds in circulation.

The new issue, he said, would lengthen the maturity of part of Mexico's sovereign debt and reduce servicing costs.

He said the government would use the collateral of repurchased Brady bonds to retire more expensive short-term debt.

For the purpose of the exchange, the value of Mexico's discount bonds has been set at $772.50 per $1,000 (based on their recent trading prices); the value of Mexico's par bonds will be based on a spread of 3.5 per cent over the yield on the US Treasury 6⅞ per cent bond due August 2025 as of April 26 this year.

Ciments Français looks to raise FFr1.5bn

By Antonia Sharpe

Ciments Français, the French cement group, is seeking to raise FFr1.5bn through a revolving credit facility arranged by Credit Suisse and Société Générale.

The multi-currency facility, which is fully underwritten by both banks, carries a margin of 45 basis points over London interbank offered rate (Libor) and a commitment fee of 20 basis points.

The company will also pay a utilisation fee ranging from 5 to 10 basis points if it draws more than one-third of the loan. Maturity is five years, but since the loan is amortising the average life is 4¼ years.

The facility, which the company will use to refinance existing lines of credit and expand its group of relationship banks, is expected to be launched into general syndication by the end of the month.

Meanwhile, a positive response from the 15 banks invited to participate in the $250m seven-year facility for the City of Stockholm has raised the possibility the loan could be increased to $300m.

Credit Suisse, the arranger, and co-arrangers ABN Amro, Deutsche and Enskilda, have already committed $30m each. By yesterday, $100m had been raised from the market, leaving only another $30m to complete the transaction.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
US DOLLARS							
United Mexican States(a,‡)	(a)	(a1)#	(a1)	Jun 2026	-	(a1)(6⅞%-25)	Goldman Sachs & Co
Federal Natl Mtge Assoc(b)	500	(b1)#	(b1)R	Apr 1999	0.15R	+41(5%-99)	Goldman/Merrill Lynch
Oest Kontrollbank(s)	200	6.125	99.716R	Nov 1999	0.1875R	+3(5%-99)	Barclays de Zoete Wedd
DePfa Bank(§)	200	6.125	99.856R	May 1998	0.15R	+15(6¼%-98)	Commerzbank/Nomura
CS First Boston	150	7.25	99.91R	Apr 2001	0.35R	+64(6⅝%-01)	CS First Boston
Kingdom of Sweden(c)	100	(c1)	100.07R	May 2001	0.25R	-	Morgan Stanley & Co Intl
D-MARKS							
AKB Privat-und Handelsbank‡	250	(d)	99.94	May 2001	0.30	-	Westdeutsche Landesbank
Hewlett-Packard Fin Corp(s)	200	4.75	99.75R	Dec 1999	0.25R	+13(7%-99)	SBC Warburg
BMW US Capital Corp(s)	200	5.00	100.00R	Dec 1999	0.225R	+28(7%-99)	Commerzbank
SWISS FRANCS							
Unilever(s)	300	3.50	102.125	Nov 2001	2.00	-	SBC/UBS
Canon Chemicals(e)★◊	110	0.75	100.00	May 2000	1.625	-	Yamaichi Bank(Switz)
FRENCH FRANCS							
Kansai Electric Power Co	3bn	6.625	99.40R	May 2006	0.325R	+15(7¼%-06)	Bq Paribas/Merrill Lynch
PESETAS							
KfW International Finance	10bn	8.60	100.825	May 2003	1.625	-	JP Morgan
LUXEMBOURG FRANCS							
Cerabank Luxembourg	2bn	(f)	102.50	Jun 2002	1.875	-	BCEE/Cerabank
LB Rheinland Pfalz	2bn	5.75	102.55	Jun 2001	1.75	-	BGL/Kredietbank Lux
Aalk-Cger Ifico(§)	2bn	5.50	101.875	Dec 2000	1.75	-	Banque UCL
ITALIAN LIRE							
European Investment Bank(g)	200bn	9.60	102.295	Jan 2001	1.75	-	BCI/Credito/JP Morgan

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. ★Unlisted. ◊With equity warrants. ‡ Floating-rate note. #Semi-annual coupon. R: fixed re-offer price; fees shown at re-offer level. a) Exchange offer for Brady bonds; min $1bn, max $2½bn. a1) Priced May 1st. b) Callable from 30/4/97 at par. b1) Priced today. c) Callable on 28/5/98 at par. c1) 6⅝% to 28/5/98 and 8% thereafter. d) 3-mth Libor +15bp. e) Fixing: 24/4/96. f) 4½% to 19/6/98, then 6% to 19/6/00 and 8% thereafter. g) Fungible with L650bn. Plus 104 days accrued. § Long first coupon. s) Short 1st coupon.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		10.000	02/06	105.1720	–0.270	9.05	9.00	8.72
Austria		6.125	02/06	97.3600	–0.070	6.49	6.53	6.47
Belgium		7.000	05/06	101.9300	–0.190	6.73	6.71	6.79
Canada *		8.750	12/05	105.8800	–0.210	7.72	7.75	7.80
Denmark		8.000	03/06	104.2400	–0.080	7.36	7.50	7.50
France	BTAN	5.750	03/01	99.8750	–0.130	5.79	5.67	5.60
	OAT	7.250	04/06	104.7200	–0.230	6.58	6.55	6.60
Germany Bund		6.000	02/06	95.7200	–0.370	6.46	6.45	6.36
Ireland		8.000	08/06	101.3700	–0.080	7.79	7.66	7.81
Italy		9.500	02/06	95.4700	–0.590	10.24†	10.26	10.22
Japan	No 140	6.600	06/01	119.2710	–0.330	2.40	1.91	1.83
	No 182	3.000	09/05	97.4960	–0.420	3.35	3.20	3.22
Netherlands		6.000	01/06	97.0600	–0.360	6.41	6.40	6.35
Portugal		11.875	02/05	115.9000	–0.100	9.16	9.27	9.65
Spain		10.150	01/06	104.6000	–0.450	9.35	9.46	9.88
Sweden		6.000	02/05	85.1760	–0.220	8.45	8.46	8.82
UK Gilts		8.000	12/00	101–23	–17/32	7.55	7.48	7.10
		7.500	12/06	95–19	–18/32	8.12	8.10	7.86
		9.000	10/08	105–01	–20/32	8.22	8.19	8.00
US Treasury *		5.625	02/06	93–19	–6/32	6.52	6.59	6.06
		6.000	02/26	89–24	+1/32	6.81	6.69	6.46
ECU (French Govt)		7.500	04/05	103.3000	–0.110	6.99	7.05	6.92

London closing. *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Latest

		Treasury Bills and Bond Yields			
		One month	5.15	Two year	5.95
Prime rate	8¼	Two month	4.89	Three year	6.09
Broker loan rate	7	Three month	4.94	Five year	6.32
Fed.funds	5¼	Six month	5.23	10-year	6.51
Fed.funds at intervention	-	One year	5.49	30-year	6.80

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	122.06	121.96	–0.18	122.08	121.84	97,425	153,359
Sep	120.76	120.64	–0.18	120.76	120.56	403	5,591
Dec	119.46	119.36	–0.18	119.46	119.30	393	819

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	CALLS May	CALLS Jun	CALLS Sep	PUTS May	PUTS Jun	PUTS Sep
119	-	-	-	0.01	0.18	-
120	1.96	-	-	-	0.29	-
121	1.00	-	1.29	0.08	0.51	1.78
122	0.33	0.88	-	0.34	-	-
123	0.05	0.44	-	-	-	-

Est. vol. total, Calls 6,554 Puts 6,505. Previous day's open int., Calls 158,232 Puts 160,466.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	96.53	96.23	-0.42	96.58	96.19	129828	202054
Sep	95.61	95.35	-0.40	95.61	95.42	232	6221

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	CALLS May	CALLS Jun	CALLS Jul	CALLS Sep	PUTS May	PUTS Jun	PUTS Jul	PUTS Sep
9600	0.45	0.84	0.61	0.95	0.20	0.61	1.26	1.60
9650	0.17	0.57	0.42	0.76	0.44	0.84	1.57	1.91
9700	0.05	0.36	0.28	0.58	0.82	1.13	1.93	2.23

Est. vol. total, Calls 12740 Puts 12170. Previous day's open int., Calls 250904 Puts 207617

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	110.95	110.12	-0.84	110.95	109.92	51987	48992
Sep	110.13	109.54	-0.84	110.13	109.90	5	258

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	CALLS Jun	CALLS Sep	PUTS Jun	PUTS Sep
11000	1.61	2.25	1.39	2.72
11050	1.28	2.03	1.64	2.99
11100	1.05	1.81	1.93	3.27

Est. vol. total, Calls 3236 Puts 2693. Previous day's open int., Calls 62778 Puts 79465

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	98.03	97.55	–0.43	98.06	97.51	69,991	42,128

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	105-27	105-09	-0-20	105-28	105-06	85236	122061
Sep		104-09	-0-20			0	165

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	CALLS May	CALLS Jun	CALLS Jul	CALLS Sep	PUTS May	PUTS Jun	PUTS Jul	PUTS Sep
105	0-37	1-12	1-02	1-36	0-19	0-58	1-48	2-18
106	0-10	0-44	0-43	1-11	0-56	1-28	2-25	2-57
107	0-01	0-24	0-27	0-55	1-47	2-08	3-09	3-37

Est. vol. total, Calls 3140 Puts 3445. Previous day's open int., Calls 42796 Puts 41976

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	90.48	90.42	–0.06	90.48	90.36	2,391	7,551
Sep	–	89.95	–	–	–	–	–

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Jun	110–10	109–24	–0–17	110–11	109–19	284,249	361,006
Sep	109–19	109–07	–0–17	109–03	109–03	4,406	26,595
Dec	108–26	108–25	–0–15	108–20	108–20	233	5,232

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Jun	118.00			118.14	117.97	1786	0
Sep	116.95			117.04	116.95	25	0

* LIFFE futures also traded on APT. All Open Interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Wed Apr 17	Day's change %	Tue Apr 16	Accrued interest	xd adj. ytd		Low coupon yield Apr 17	Low Apr 16	Low Yr. ago	Medium coupon yield Apr 17	Medium Apr 16	Medium Yr. ago	High coupon yield Apr 17	High Apr 16	High Yr. ago
1 Up to 5 years (24)	121.51	–0.25	121.82	2.58	2.43	5 yrs	7.64	7.51	8.29	7.66	7.54	8.37	7.77	7.64	8.51
2 5-15 years (19)	144.99	–0.57	145.82	2.82	2.79	15 yrs	8.26	8.19	8.66	8.28	8.20	8.44	8.37	8.29	8.66
3 Over 15 years (8)	159.26	–0.56	160.19	2.81	3.46	20 yrs	8.32	8.26	8.34	8.32	8.26	8.44	8.40	8.33	8.59
4 Irredeemables (6)	182.71	–0.89	184.34	4.11	1.47	Irred.†	8.38	8.30	8.36						
5 All stocks (58)	140.72	–0.46	141.37	2.77	2.78										

Index-linked							Inflation 5% Apr 17	Inflation 5% Apr 16	Inflation 5% Yr. ago	Inflation 10% Apr 17	Inflation 10% Apr 16	Inflation 10% Yr. ago
6 Up to 5 years (1)	196.05	–	196.07	4.22	0.00	Up to 5 yrs	2.90	2.86	3.33	1.75	1.71	1.79
7 Over 5 years (11)	186.16	–0.14	186.42	1.09	1.33	Over 5 yrs	3.75	3.72	3.62	3.54	3.53	3.61
8 All stocks (12)	186.30	–0.14	186.55	1.16	1.30							

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Apr 17	Apr 16	Apr 15	Apr 12	Apr 11	Yr ago	High*	Low*
Govt. Secs. (UK)	92.19	92.42	92.36	92.29	92.04	92.12	96.34	91.97
Fixed Interest	111.83	111.96	111.90	111.78	111.71	111.26	115.23	110.74

* for 1996. Government Securities high since compilation: 127.4 (09/01/35), low 49.18 (03/01/75). Fixed Interest high since compilation: 133.87 (21/01/94), low 50.53 (03/01/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974

GILT EDGED ACTIVITY INDICES

	Apr 16	Apr 15	Apr 12	Apr 11	Apr 10
Gilt Edged bargains	88.4	74.7	79.7	84.5	94.2
5-day average	83.9	82.0	84.9	87.8	89.1

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:10 pm on April 17

	Issued	Bid	Offer	Chg.	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 6½ 03	1000	97⅛	97⅜		6.80
ABN Amro Bank 7¼ 05	1000	100⅞	101⅛	-⅛	7.24
African Dev Bk 7¾ 23	500	96⅝	97⅛		7.85
Alberta Province 7⅜ 98	1000	103⅞	104⅛	-⅛	6.54
Asian Dev Bank 6¼ 05	750	95¼	95⅝	-⅛	6.98
[illegible]					
Sweden 8 97	2500	103	103⅛		5.91
United Kingdom 7¼ 97	5500	104⅝	104⅞		5.77
Volkswagen Intl Fin 7 03	1000	102⅝	102⅞		6.52
World Bank 0 15	2000	30	30¼	+⅛	6.31
World Bank 6¾ 03	3000	98	98¼	-⅛	6.04
Abbey Natl Treasury 8 03 £	1000	97⅞	98	-½	8.41
Alliance Leics 11½ 97 £	100	104⅝	104⅞	-⅛	8.68
British Land 8⅞ 23 £	150	87⅞	88⅛	-¼	10.47
Denmark 6⅝ 98 £	800	98⅞	99	-¼	7.28
EIB 8 03 £	1000	96¼	96⅞	-⅛	8.23
Glaxo Wellcome 8¾ 01 £	500	99⅞	100⅛	-⅛	8.75
[illegible]					

UK GILTS PRICES

[illegible]

Other Fixed Interest

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CURRENCIES AND MONEY

MARKETS REPORT

Markets quiet as Bundesbank vigil continues

By Philip Gawith

Foreign exchange markets had another quiet day yesterday as traders took to the sidelines ahead of the Bundesbank council meeting today.

The main exception to the general torpor, which was reminiscent of the pre-Easter trading conditions, was the Italian lira. It lost ground on rumours that private opinion polls showed the weekend elections likely to produce a hung parliament – the least favourable outcome for markets looking for strong government.

The lira closed in London at L1,045 against the D-Mark, from L1,043. During the day it touched L1,047, having recently dipped below L1,040.

The D-Mark was also stronger against the French franc, helped by comments from the IMF that it foresaw the possibility of "renewed turbulence" for the franc.

The dollar was little changed, closing at DM1.5073, from DM1.5096, and at Y108.235, from Y108.155.

Another focus of attention was Britain, where strong employment growth undermined sentiment in the interest rate markets. Short sterling futures contracts lost ground across the board. The December contract finished at 93.32, from 93.46.

Sterling was unaffected by the excitement, finishing at DM2.2737, from DM2.2767, and at $1.5085, from $1.5082.

The South Africa rand had a steadier day, closing at R4.23 against the dollar, from R4.225. In Washington, Mr Michael Mussa, the IMF's economic counsellor, said that the speed and acceleration of the rand's decline in recent days and weeks had "not been a welcome development".

■ In the words of one analyst, it was a day more remarkable for the lack of price activity than for any particular movement. Although there was a fair amount of news crossing the wires, it was unmatched by similar movement in prices.

Although much of this was attributable to the market's customary tendency to head for the sidelines ahead of a big event, there may have been more to it.

Mr Malcolm Barr, currency analyst at Chase in London, said two other factors may have contributed to the recent quiet trading conditions. One was the generalised sell-off in bond markets during the first quarter, which had damaged the profitability of some traders and investors.

The other was continued uncertainty over big issues such as whether or not the single European currency would proceed. "People are not sufficiently certain to put on any positions at the moment."

Looking ahead to the Bundesbank meeting, Mr Kit Juckes, currency strategist at NatWest Markets in London, said: "The trick is trying to keep the carrot of a rate cut in front of the market, but not letting the market eat it. The Bundesbank wants to engineer dollar/D-Mark higher without using up its rate cut ammunition to achieve it."

Expectations of a rate cut had receded ahead of the meeting, following recent weakness of the D-Mark, a slight rise in inflation and continued strong money supply growth. One analyst said: "The danger is that investors may conclude that if the Bundesbank is stepping back from cutting rates because the D-Mark is softened, the German central bank will resist any substantial weakening of the D-Mark later. That could prompt an unwinding of short D-Mark positions that pushes the D-Mark up again, capping dollar/D-Mark below DM1.50 again."

A further risk for the dollar is the current position of the market. By the reckoning of one FX house, the market is now very short D-Marks, arguably shorter than at any time over the past three years.

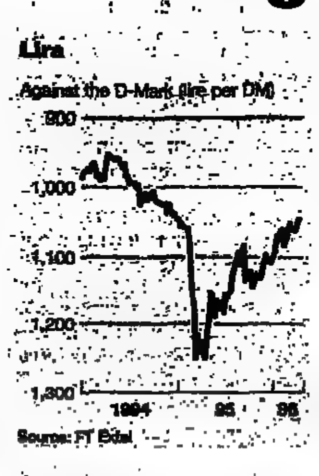
■ The short sterling strip is now discounting a rise of around 70 basis points in short term interest rates by the end of the year.

Mr Juckes said nothing in the minutes of the March monetary meeting, released yesterday, showed a need for interest rates to rise. But the most recent data releases appear to have scotched talk of a further cut in rates. "Room for a further rate cut at this stage is vanishing fast," said Mr Juckes.

While sterling appears stuck in a range, Mr Juckes said his concern was the economy's inability to take advantage of such a competitive currency to deliver export growth. He said this augured poorly for the country's trade performance, and the currency.

Lira

Against the D-Mark (lire per DM)



Source: FT Extel

■ **Pound in New York**

Apr 17	Latest	Prev. close
£ spot	1.5085	1.5075
1 mth	1.5058	1.5068
3 mth	1.5045	1.5056
1 yr	1.4975	1.5002

■ **OTHER CURRENCIES**

Apr 17	£	$
Czech Rp	41.1682 - 41.2281	27.3620 - 27.3680
Hungary	219.881 - 220.029	145.780 - 145.840
Iran	4526.10 - 4524.80	3000.00 - 3000.00
Kuwait	0.4526 - 0.4529	0.3007 - 0.3008
Poland	3.9575 - 3.9634	2.6240 - 2.6270
Russia	7427.39 - 7434.87	4925.00 - 4928.00
U.A.E.	5.5384 - 5.5409	3.6723 - 3.6725

POUND SPOT FORWARD AGAINST THE POUND

Apr 17		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	15.9881	-0.0215	822 - 940	16.0180	15.9665	15.9581	2.3	15.8736	2.6	-	-	105.8
Belgium	(BFr)	46.7016	-0.0677	637 - 395	46.7750	46.6290	46.5968	2.7	46.3988	2.7	45.4666	2.6	107.8
Denmark	(DKr)	8.7762	-0.0113	724 - 799	8.7913	8.7621	8.7645	1.6	8.7396	1.7	8.6332	1.6	108.4
Finland	(FM)	7.1442	-0.018	392 - 491	7.1650	7.1190	7.1388	0.7	7.1377	0.7	-	-	82.2
France	(FFr)	7.7241	-0.0047	220 - 261	7.7339	7.7110	7.7112	2.0	7.6886	1.8	7.5894	1.8	109.7
Germany	(DM)	2.2737	-0.003	729 - 744	2.2796	2.2700	2.2695	2.7	2.2585	2.7	2.2117	2.7	109.4
Greece	(Dr)	365.196	-1.116	060 - 332	367.875	364.865	-	-	-	-	-	-	67.1
Ireland	(I£)	0.9664	-0.0015	656 - 671	0.9681	0.9647	0.9667	0.9	0.9642	0.9	0.9592	0.8	98.1
Italy	(L)	2376.56	+1.59	542 - 771	2377.71	2369.30	2384.81	-4.2	2399.91	-3.9	2452.61	-3.2	74.4
Luxembourg	(LFr)	46.7016	-0.0677	637 - 395	46.7750	46.6290	46.5968	2.7	46.3988	2.7	45.4666	2.6	107.8
Netherlands	(Fl)	2.5412	-0.0036	404 - 420	2.5519	2.5369	2.5353	2.8	2.523	2.9	2.4718	2.8	107.9
Norway	(NKr)	9.8082	-0.0168	045 - 118	9.8761	9.7823	9.7992	1.1	9.7801	1.1	9.6844	1.3	98.9
Portugal	(Es)	233.305	-0.376	198 - 411	233.765	232.970	233.73	-2.2	234.535	-2.3	-	-	95.6
Spain	(Pta)	189.520	-0.157	361 - 680	189.925	189.295	189.98	-2.0	190.425	-1.7	192.08	-1.3	82.1
Sweden	(SKr)	10.1880	+0.0038	775 - 944	10.2013	10.1651	10.1872	-0.1	10.1889	-0.1	10.1911	-0.1	88.8
Switzerland	(SFr)	1.8486	-0.0061	478 - 500	1.8559	1.8478	1.8425	4.2	1.8298	4.1	1.773	4.1	113.0
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	83.6
Ecu	-	1.2148	-0.0024	141 - 155	1.2183	1.2134	1.2136	1.3	1.2106	1.4	1.1972	1.5	-
SDR†	-	1.043900	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5069	+0.0003	062 - 075	1.5093	1.5048	-	-	-	-	-	-	-
Brazil	(R$)	1.4925	-0.0006	921 - 929	1.4933	1.4882	-	-	-	-	-	-	-
Canada	(C$)	2.0455	-0.0015	448 - 462	2.0502	2.0424	2.0446	0.4	2.0412	0.9	2.0331	0.6	85.0
Mexico	(New Peso)	11.1950	+0.0089	893 - 006	11.2235	11.1895	-	-	-	-	-	-	-
USA	($)	1.5085	+0.0003	082 - 087	1.5096	1.5040	1.5078	0.6	1.5067	0.5	1.5009	0.5	96.6
Pacific/Middle East/Africa													
Australia	(A$)	1.9191	+0.0033	181 - 200	1.9235	1.9146	1.9217	-1.6	1.9267	-1.6	1.952	-1.7	93.0
Hong Kong	(HK$)	11.6687	+0.0038	682 - 712	11.6745	11.6342	11.6606	0.8	11.649	0.7	11.6292	0.3	-
India	(Rs)	51.5890	-0.0216	050 - 730	51.6730	51.4180	-	-	-	-	-	-	-
Israel	(Shk)	4.7892	-0.0073	854 - 930	4.7975	4.7767	-	-	-	-	-	-	-
Japan	(Y)	163.267	+0.148	217 - 317	163.700	162.980	162.842	5.3	161.082	5.4	154.637	5.3	135.1
Malaysia	(M$)	3.7625	-0.0129	611 - 639	3.7768	3.7535	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.2136	-0.0045	124 - 148	2.2217	2.2088	2.2186	-2.7	2.2281	-2.6	2.2619	-2.2	107.3
Philippines	(Peso)	39.4762	+0.0217	942 - 581	39.5561	39.3942	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.6568	+0.001	554 - 581	5.6605	5.6405	-	-	-	-	-	-	-
Singapore	(S$)	2.1259	-0.0014	248 - 270	2.1293	2.1203	-	-	-	-	-	-	-
South Africa	(R)	6.3807	+0.0123	721 - 893	6.4061	6.3565	-	-	-	-	-	-	-
South Korea	(Won)	1179.06	-0.11	981 - 935	1180.18	1175.68	-	-	-	-	-	-	-
Taiwan	(T$)	40.9850	+0.0083	506 - 193	40.9844	40.8396	-	-	-	-	-	-	-
Thailand	(Bt)	38.1940	+0.0214	545 - 033	38.2070	38.0780	-	-	-	-	-	-	-

† Rates for Apr 16. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T. Exchange rates for Thursday April 4th are available on Cityline 0891 437001

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Apr 17		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P. Morgan Index
Europe													
Austria	(Sch)	10.5991	-0.0116	969 - 012	10.6260	10.5860	10.5818	2.0	10.5409	2.0	10.3841	2.0	105.4
Belgium	(BFr)	30.9600	-0.05	400 - 800	31.0320	30.9270	30.907	2.1	30.8005	2.1	30.32	2.1	107.2
Denmark	(DKr)	5.8180	-0.0085	165 - 195	5.8330	5.8120	5.813	1.0	5.803	1.0	5.8255	-0.1	107.5
Finland	(FM)	4.7361	-0.0127	336 - 386	4.7511	4.7217	4.7298	1.6	4.7176	1.6	4.6721	1.4	81.4
France	(FFr)	5.1205	-0.004	200 - 210	5.1345	5.1135	5.1144	1.4	5.1046	1.2	5.0625	1.1	109.2
Germany	(DM)	1.5073	-0.0023	070 - 075	1.5115	1.5055	1.5048	2.1	1.4995	2.1	1.4758	2.1	108.6
Greece	(Dr)	242.100	-0.78	050 - 150	244.230	241.880	243.775	-8.3	247.125	-8.3	261.1	-7.5	68.4
Ireland	(I£)	1.5610	+0.0029	600 - 620	1.5620	1.5553	1.5615	-0.3	1.5618	-0.2	1.5512	0.6	-
Italy	(L)	1575.50	+0.79	500 - 600	1577.00	1571.75	1581.55	-4.6	1593.1	-4.5	1634	-3.7	74.0
Luxembourg	(LFr)	30.9600	-0.05	400 - 800	31.0320	30.9270	30.907	2.1	30.8005	2.1	30.32	2.1	107.2
Netherlands	(Fl)	1.6847	-0.0026	844 - 849	1.6939	1.6830	1.6817	2.2	1.6754	2.2	1.6462	2.2	107.2
Norway	(NKr)	6.5022	-0.0122	009 - 035	6.5500	6.4715	6.4992	0.5	6.4937	0.5	6.4572	0.7	98.0
Portugal	(Es)	154.665	-0.275	620 - 710	155.130	154.510	154.98	-2.4	155.57	-2.3	157.715	-2.0	95.6
Spain	(Pta)	125.705	-0.125	680 - 730	125.960	125.580	125.955	-2.4	126.388	-2.2	127.925	-1.8	81.7
Sweden	(SKr)	6.7526	+0.0014	481 - 571	6.7710	6.7423	6.7637	-2.0	6.7611	-1.7	6.8231	-1.0	86.3
Switzerland	(SFr)	1.2257	-0.0042	252 - 262	1.2313	1.2245	1.2221	3.6	1.2149	3.5	1.1829	3.5	112.3
UK	(£)	1.5085	+0.0003	082 - 087	1.5096	1.5040	1.5078	0.6	1.5067	0.5	1.5009	0.5	88.2
Ecu	-	1.2417	+0.0026	412 - 422	1.2427	1.2382	1.2425	-0.7	1.2441	-0.8	1.259	-0.8	-
SDR†	-	0.69160	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9990	-	987 - 992	1.0004	0.9987	-	-	-	-	-	-	-
Brazil	(R$)	0.9894	-0.0007	893 - 895	0.9901	0.9893	-	-	-	-	-	-	-
Canada	(C$)	1.3561	-0.0012	556 - 565	1.3590	1.3558	1.3559	0.1	1.3562	0.0	1.359	-0.2	84.2
Mexico	(New Peso)	7.4215	+0.0045	190 - 240	7.4240	7.4040	7.4238	-0.4	7.4259	-0.3	7.4318	-0.1	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	97.8
Pacific/Middle East/Africa													
Australia	(A$)	1.2721	+0.0019	716 - 726	1.2732	1.2718	1.2741	-1.9	1.2776	-1.7	1.2963	-1.9	84.4
Hong Kong	(HK$)	7.7356	+0.0013	352 - 359	7.7360	7.7345	7.7363	-0.1	7.7381	-0.1	7.7661	-0.4	-
India	(Rs)	34.2000	-0.02	500 - 500	34.2500	34.1500	34.35	-5.3	34.655	-5.3	36.125	-5.6	-
Israel	(Shk)	3.1749	-0.0054	729 - 769	3.1830	3.1718	-	-	-	-	-	-	-
Japan	(Y)	108.235	+0.08	220 - 250	108.550	108.100	107.79	4.9	106.89	5.0	103.15	4.7	135.5
Malaysia	(M$)	2.4943	-0.0089	938 - 948	2.5026	2.4926	2.4962	-0.4	2.5013	-1.1	2.5248	-1.2	-
New Zealand	(NZ$)	1.4674	-0.0032	669 - 680	1.4718	1.4669	1.4706	-2.5	1.4768	-2.4	1.5009	-2.3	-
Philippines	(Peso)	26.1700	+0.01	200 - 200	26.2200	26.1200	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7501	+0.0001	498 - 503	3.7503	3.7498	3.7506	-0.1	3.7513	-0.1	3.7546	-0.1	-
Singapore	(S$)	1.4093	-0.0012	088 - 098	1.4120	1.4077	1.4058	3.0	1.3998	2.7	1.3743	2.5	-
South Africa	(R)	4.2300	+0.0075	250 - 350	4.2500	4.2020	4.2596	-8.2	4.3109	-7.6	4.5335	-7.2	-
South Korea	(Won)	781.850	-0.2	600 - 700	781.900	781.600	-	-	-	-	-	-	-
Taiwan	(T$)	27.1570	+0.001	520 - 620	27.1620	27.1500	27.177	-0.9	27.217	-0.9	-	-	-
Thailand	(Bt)	25.3200	+0.01	180 - 220	25.3220	25.3090	25.4157	-4.7	25.6225	-4.6	26.505	-4.7	-

† SDR rate per $ for Apr 16. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Apr 16: Base average 1990=100. Exchange rates for Thursday April 4th are available on Cityline 0891 437001

WORLD INTEREST RATES

MONEY RATES

April 17	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	3 5/8	3 1/4	3 1/4	3 5/16	3 11/32	7.00	3.00	-
week ago	3 5/8	3 1/4	3 5/16	3 11/32	3 13/32	7.00	3.00	-
France	3 7/8	3 27/32	4	4 1/16	4 3/16	3.70	-	3.60
week ago	3 13/16	3 29/32	4 1/32	4 1/16	4 11/32	3.80	-	5.60
Germany	3 1/8	3 1/8	3 1/4	3 1/4	3 3/8	5.00	3.00	3.30
week ago	3 1/8	3 1/8	3 5/16	3 1/4	3 3/8	5.00	3.00	3.30
Ireland	5 1/4	5 1/4	5 3/8	5 1/4	5 3/8	-	-	6.25
week ago	5 1/4	5 3/8	5 1/4	5 3/8	5 1/4	-	-	6.25
Italy	9 7/8	9 7/8	9 3/4	9 19/32	9 3/8	-	9.00	10.00
week ago	9 3/4	9 7/8	9 13/16	9 1/2	9 5/16	-	9.00	10.00
Netherlands	2 7/8	2 7/8	2 15/16	2 7/8	3 1/8	-	3.00	3.30
week ago	2 7/8	2 7/8	3 1/16	3	3 1/8	-	3.00	3.30
Switzerland	1 7/8	1 13/16	1 13/16	1 13/16	1 7/8	5.00	1.50	-
week ago	1 3/4	1 13/16	1 13/16	1 7/8	1 7/8	5.00	1.50	-
US	5 1/4	5 3/8	5 15/32	5 1/2	5 3/4	-	5.00	-
week ago	5 3/8	5 3/8	5 15/32	5 1/2	5 3/4	-	5.00	-
Japan	3/8	1/2	15/32	5/8	7/8	-	0.50	-
week ago	1/2	1/2	1/2	1/2	11/16	-	0.50	-
■ $ LIBOR FT London								
Interbank Fixing	-	5 7/16	5 1/2	5 5/8	5 29/32	-	-	-
week ago	-	5 7/16	5 9/16	5 21/32	5 31/32	-	-	-
US Dollar CDs	-	5.13	5.15	5.23	5.53	-	-	-
week ago	-	5.13	5.15	5.29	5.60	-	-	-
ECU Linked Ds	-	4 1/4	4 1/4	4 1/4	4 1/2	-	-	-
week ago	-	4 1/4	4 1/2	4 1/2	4 1/2	-	-	-
SDR Linked Ds	-	3 11/32	3 13/32	3 1/2	3 21/32	-	-	-
week ago	-	3 13/32	3 13/32	3 1/2	3 21/32	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Apr 17	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	3 3/16 - 3 1/16	3 5/16 - 3 3/16	3 5/16 - 3 1/4	3 5/16 - 3 1/4	3 11/32 - 3 1/4	3 15/32 - 3 11/32
Danish Krone	4 - 4 1/4	3 29/32 - 3 3/4	4 - 3 27/32	4 1/16 - 3 29/32	4 1/16 - 3 7/8	4 1/4 - 4 1/8
D-Mark	3 5/16 - 3 3/16	3 3/8 - 3 1/4	3 3/8 - 3 1/4	3 13/32 - 3 5/16	3 3/8 - 3 1/4	3 15/32 - 3 3/8
Dutch Guilder	3 1/16 - 3	3 1/16 - 2 15/16	3 - 2 7/8	3 - 2 7/8	3 - 2 7/8	3 5/16 - 3 1/8
French Franc	4 1/16 - 3 7/8	4 - 3 7/8	4 - 3 7/8	4 1/16 - 3 15/16	4 1/8 - 4	4 3/8 - 4 1/4
Portuguese Esc.	7 3/8 - 7 13/16	7 15/16 - 7 13/16	7 7/8 - 7 3/4	7 7/8 - 7 3/4	7 7/8 - 7 3/4	7 7/8 - 7 3/4
Spanish Peseta	7 15/16 - 7 13/16	7 15/16 - 7 13/16	7 15/16 - 7 13/16	7 7/8 - 7 13/16	7 7/8 - 7 3/4	7 15/16 - 7 13/16
Sterling	6 - 5 13/16	6 - 5 7/8	6 - 5 13/16	6 - 5 15/16	6 1/8 - 6	6 1/4 - 6 1/8
Swiss Franc	2 - 1 7/8	1 7/8 - 1 3/4	1 7/8 - 1 3/4	1 7/8 - 1 3/4	1 7/8 - 1 3/4	2 - 1 7/8
Can. Dollar	5 - 4 13/16	5 1/16 - 4 7/8	5 - 4 7/8	5 1/16 - 4 15/16	5 1/4 - 5 1/8	5 5/8 - 5 1/2
US Dollar	5 3/8 - 5 1/4	5 3/8 - 5 1/4	5 7/16 - 5 5/16	5 1/2 - 5 3/8	5 5/8 - 5 1/2	5 7/8 - 5 3/4
Italian Lira	10 1/8 - 9 7/8	9 7/8 - 9 3/4	9 7/8 - 9 3/4	9 7/8 - 9 3/4	9 7/8 - 9 3/4	9 3/8 - 9 1/4
Yen	3/8 - 1/4	1/2 - 3/8	1/2 - 3/8	1/2 - 3/8	1/2 - 3/8	11/16 - 9/16
Asian $Sing	1 1/2 - 1 3/8	1 3/4 - 1 1/2	2 - 1 7/8	2 5/16 - 2 3/16	2 7/16 - 2 5/16	2 5/8 - 2 1/2

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ **THREE MONTH PIBOR FUTURES** (MATIF) Paris Interbank offered rate (FFr5m)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	95.89	95.84	-0.02	95.87	95.82	17,728	59,117
Sep	95.76	95.73	-0.03	95.76	95.71	7,004	50,122
Dec	95.58	95.55	-0.03	95.58	95.53	3,672	[illegible]

■ **THREE MONTH EUROMARK FUTURES** (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	96.78	96.76	-0.02	96.78	96.76	15605	214742
Sep	96.67	96.64	-0.03	96.67	96.64	23628	242512
Dec	96.43	96.38	-0.06	96.43	96.37	28054	195953
Mar	96.11	96.05	-0.07	96.11	96.04	20567	114123

■ **THREE MONTH EUROLIRA FUTURES** (LIFFE)* L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	90.84	90.81	-0.03	90.85	90.78	13471	39929
Sep	91.25	91.28	-0.04	91.28	91.20	5500	22763
Dec	91.31	91.33	-0.02	91.34	91.29	1830	18381
Mar	91.26	91.27	-0.02	91.28	91.23	782	8041

■ **THREE MONTH EURO SWISS FRANC FUTURES** (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	98.18	98.17	-0.01	98.18	98.15	1102	25978
Sep	98.07	98.06	-0.02	98.07	98.05	1524	15356
Dec	97.83	97.82	-0.01	97.83	97.80	885	10525
Mar	97.52	97.51	-0.02	97.52	97.50	209	3256

■ **THREE MONTH EUROYEN FUTURES** (LIFFE) Y100m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun		99.18	-			0	0
Sep	98.88	98.89	-	98.89	98.88	150	0
Dec	98.58	98.59	-	98.59	98.58	1247	0

■ **THREE MONTH ECU FUTURES** (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	95.61	95.57	-0.04	95.61	95.57	448	7881
Sep	95.56	95.55	-0.04	95.56	95.53	341	3816
Dec	95.37	95.33	-0.05	95.37	95.34	159	2881
Mar	95.07	95.05	-0.03	95.07	95.07	5	1835

* LIFFE futures also traded on APT

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Apr 17		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.79	16.54	4.869	2.069	5089	5.441	21.00	499.6	406.0	21.80	3.957	2.141	4.379	3.231	349.5	2.602
Denmark	(DKr)	53.21	10	8.801	2.591	1.101	2707	2.895	11.18	265.8	216.0	11.60	2.106	1.139	2.330	1.719	186.0	1.384
France	(FFr)	60.46	11.36	10	2.944	1.251	3076	3.290	12.70	302.0	245.5	13.18	2.393	1.295	2.648	1.954	211.3	1.573
Germany	(DM)	20.54	3.860	3.397	1	0.425	1045	1.117	4.313	102.6	83.38	4.477	0.813	0.440	0.899	0.664	71.77	0.534
Ireland	(I£)	48.34	9.085	7.996	2.354	1	2460	2.630	10.15	241.5	196.3	10.54	1.913	1.035	2.117	1.562	168.9	1.258
Italy	(L)	1.965	0.369	0.325	0.096	0.041	100.	0.107	0.413	9.819	7.980	0.428	0.078	0.042	0.086	0.064	6.869	0.051
Netherlands	(Fl)	18.38	3.454	3.040	0.895	0.380	935.1	1	3.860	91.81	74.62	4.006	0.727	0.394	0.805	0.594	64.23	0.478
Norway	(NKr)	47.61	8.948	7.875	2.319	0.985	2423	2.591	10	237.9	193.3	10.38	1.884	1.020	2.085	1.538	166.4	1.239
Portugal	(Es)	20.02	3.762	3.311	0.975	0.414	1018	1.089	4.204	100.	81.27	4.363	0.792	0.429	0.877	0.647	69.95	0.521
Spain	(Pta)	24.63	4.629	4.074	1.199	0.509	1253	1.340	5.173	123.0	100.	5.369	0.975	0.527	1.079	0.796	86.08	0.641
Sweden	(SKr)	45.87	8.621	7.587	2.234	0.949	2334	2.496	9.635	229.2	186.2	10	1.815	0.982	2.009	1.482	160.3	1.194
Switzerland	(SFr)	25.27	4.749	4.180	1.231	0.523	1286	1.375	5.307	126.2	102.6	5.509	1	0.541	1.107	0.817	88.31	0.657
UK	(£)	46.70	8.776	7.724	2.274	0.966	2376	2.541	9.808	233.3	189.6	10.18	1.848	1	2.046	1.509	163.2	1.215
Canada	(C$)	22.84	4.291	3.777	1.112	0.472	1162	1.243	4.796	114.1	92.71	4.978	0.904	0.489	1	0.738	79.80	0.594
US	($)	30.95	5.816	5.119	1.507	0.640	1575	1.684	6.500	154.6	125.6	6.746	1.225	0.663	1.355	1	108.2	0.805
Japan	(Y)	28.62	5.377	4.733	1.393	0.592	1456	1.557	6.010	143.0	116.2	6.238	1.132	0.613	1.253	0.925	100.	0.744
Ecu		38.44	7.223	6.357	1.872	0.795	1956	2.091	8.072	192.0	156.0	8.379	1.521	0.823	1.683	1.242	134.3	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ **D-MARK FUTURES** (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.6651	0.6653	+0.0005	0.6661	0.6652	14,806	79,905
Sep	0.6696	0.6690	+0.0005	0.6696	0.6680	646	2,670
Dec	-	0.6725	-	-	-	15	199

■ **SWISS FRANC FUTURES** (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.8145	0.8190	+0.0005	0.8205	0.8190	12,879	41,136
Sep	0.8273	0.8274	+0.0015	0.8275	0.8273	194	1,499
Dec	0.8350	0.8340	-	-	-	26	985

■ **JAPANESE YEN FUTURES** (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.9322	0.9323	+0.0004	0.9333	0.9306	13,691	77,418
Sep	0.9426	0.9420	-0.0010	0.9425	0.9420	293	2,049
Dec	-	0.9580	-	-	-	1	1,069

■ **STERLING FUTURES** (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	1.5064	1.5062	-0.0004	1.5070	1.5052	19,018	66,595
Sep	1.5030	1.5040	-	1.5040	1.5012	77	141
Dec	-	1.5040	+0.0004	1.5070	1.5000	3	32

UK INTEREST RATES

LONDON MONEY RATES

Apr 17	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	6 1/2 - 5 1/4	6 1/8 - 5 7/8	6 - 5 7/8	6 1/16 - 5 15/16	6 1/8 - 6 1/16	6 1/2 - 6 3/8
Sterling CDs	-	-	5 31/32 - 5 27/32	5 31/32 - 5 27/32	6 1/16 - 5 31/32	6 3/16 - 6 1/16
Treasury Bills	-	-	5 27/32 - 5 27/32	5 27/32 - 5 25/32	-	-
Bank Bills	-	-	5 29/32 - 5 27/32	5 27/32 - 5 25/32	5 29/32 - 5 13/16	-
Local authority deps.	5 13/16 - 5 11/16	5 15/16 - 5 13/16	6 - 5 7/8	6 1/16 - 5 15/16	6 1/8 - 6	6 3/8 - 6 1/4
Discount Market deps	6 1/2 - 6	6 - 5 7/8	-	-	-	-

UK clearing bank base lending rate 6 per cent from March 8, 1996

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	2 1/2	5 1/2	5	5	4 1/2

Certs of Tax dep. under £100,000 is 2 1/2pc. Deposits withdrawn for cash 1 1/2pc.
Ave. tender rate of discount on Apr 12, 5.7955pc. ECGD fixed rate Stg. Export Finance. Make up day Mar 29, 1996. Agreed rate for period Apr 26, 1996 to May 25, 1996, Schemes II & III 7.38pc. Reference rate for period Mar 1, 1996 to Mar 29, 1996, Schemes IV & V 6.133pc. Finance House Base Rate 6.5pc from April 1, 1996

■ **THREE MONTH STERLING FUTURES** (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	94.00	93.94	-0.06	94.01	93.92	19345	79068
Sep	93.86	93.73	-0.13	93.86	93.71	29435	57003
Dec	93.48	93.32	-0.17	93.48	93.28	41777	56443
Mar	93.02	92.83	-0.20	93.02	92.81	15214	38797
Jun	92.62	92.44	-0.19	92.62	92.43	6129	34483

Also traded on APT. All Open interest figs. are for previous day.

■ **SHORT STERLING OPTIONS** (LIFFE) £500,000 points of 100%

Strike Price	CALLS Jun	CALLS Sep	CALLS Dec	PUTS Jun	PUTS Sep	PUTS Dec
9375	0.23	0.20	0.19	0.04	0.22	0.62
9400	0.07	0.09	0.11	0.13	0.36	0.79
9425	0.02	0.04	0.07	0.33	0.56	1.00

Est. vol. total, Calls 6254 Puts 9104. Previous day's open int., Calls 125353 Puts 112868

■ **EMS EUROPEAN CURRENCY UNIT RATES**

Apr 17	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Spain	162.493	158.616	+0.047	-2.39	4.52	17
Netherlands	2.15214	2.12531	-0.00067	-1.25	3.32	9
Belgium	39.3960	39.0519	-0.0071	-0.87	2.93	6
Austria	13.4383	13.3696	-0.004	-0.51	2.55	4
Germany	1.91007	1.90120	-0.00067	-0.46	2.50	6
Portugal	195.792	195.140	-0.029	-0.33	2.37	2
Denmark	7.28580	7.33934	-0.00268	0.73	1.28	-5
France	6.40608	6.46094	+0.00285	0.86	1.16	-7
Ireland	0.792214	0.808282	-0.00012	2.03	0.00	-14
NON ERM MEMBERS						
Greece	292.867	305.542	-0.548	4.33	-2.20	-
Italy	2106.15	1985.31	-1.11	-5.74	8.24	-
UK	0.786652	0.835390	+0	6.20	-3.92	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ **PHILADELPHIA SE £/$ OPTIONS** £31,250 (cents per pound)

Strike Price	CALLS Apr	CALLS May	CALLS Jun	PUTS Apr	PUTS May	PUTS Jun
1.490	1.69	2.42	2.79	0.27	0.84	1.34
1.500	1.20	1.81	2.27	0.57	1.23	1.75
1.510	0.68	1.31	1.76	1.06	1.72	2.26
1.520	0.34	0.91	1.36	1.71	2.31	2.79
1.530	0.13	0.60	1.02	2.51	2.95	3.44

Previous day's vol., Calls 3,060 Puts 3,404. Prev. day's open int., Calls 148,951 Puts 152,380

■ **THREE MONTH EURODOLLAR** (IMM) $1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	94.54	94.51	-0.02	94.53	94.50	36,981	389,745
Sep	94.38	94.34	-0.04	94.38	94.33	55,926	355,279
Dec	94.11	94.07	-0.04	94.08	94.04	103,098	341,733

■ **US TREASURY BILL FUTURES** (IMM) $1m per 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	95.08	95.05	-0.02	95.06	95.05	103	9,045
Sep	94.86	94.87	-	94.87	94.86	80	3,982
Dec	94.65	94.67	-	94.67	94.65	52	710

All Open interest figs. are for previous day

■ **EUROMARK OPTIONS** (LIFFE) DM1m points of 100%

Strike Price	CALLS May	CALLS Jun	CALLS Jul	CALLS Sep	PUTS May	PUTS Jun	PUTS Jul	PUTS Sep
9675	0.06	0.09	0.08	0.11	0.05	0.08	0.19	0.22
9700	0.01	0.02	0.03	0.04	0.25	0.26	0.39	0.40
9725	0	0	0.01	0.01	0.49	0.49	0.62	0.62

Est. vol. total, Calls 5461 Puts 3073. Previous day's open int., Calls 348585 Puts 342332

■ **EURO SWISS FRANC OPTIONS** (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Jun	CALLS Sep	CALLS Dec	PUTS Jun	PUTS Sep	PUTS Dec
9825	0.06	0.09	0.10	0.14	0.28	0.53
9850	0.03	0.04	0.04	0.36	0.49	0.72

Est. vol. total, Calls 0 Puts 3. Previous day's open int., Calls 6265 Puts 3071

■ **EUROLIRA OPTIONS** (LIFFE) L1000m points of 100%

Strike Price	CALLS Jun	CALLS Sep	CALLS Dec	PUTS Jun	PUTS Sep	PUTS Dec
9075	0.32	0.73	0.93	0.26	0.25	0.35
9100	0.20	0.55	0.75	0.39	0.32	0.42
9125	0.12	0.40	0.58	0.56	0.40	0.51

Est. vol. total, Calls 6294 Puts 530. Previous day's open int., Calls 26342 Puts 15215

BASE LENDING RATES

	%		%		%
Adam & Company	6.00	Duncan Lawrie	6.00	Royal Bk of Scotland	6.00
Allied Trust Bank	6.00	Exeter Bank Limited	7.00	●Singer & Friedlander	6.00
AIB Bank	6.00	Financial & Gen Bank	7.00	●Smith & Williamson Secs	6.00
●Henry Ansbacher	6.00	●Robert Fleming & Co	6.00	TSB	6.00
Bank of Baroda	6.00	Girobank	6.00	United Bank of Kuwait	6.00
Banco Bilbao Vizcaya	6.00	●Guinness Mahon	6.00	Unity Trust Bank Plc	6.00
Bank of Cyprus	6.00	Habib Bank AG Zurich	6.00	Western Trust	6.00
Bank of Ireland	6.00	●Hambros Bank	6.00	Whiteaway Laidlaw	6.00
Bank of India	6.00	Heritable & Gen Inv Bk	6.00	Yorkshire Bank	6.00
Bank of Scotland	6.00	●Hill Samuel	6.00		
Barclays Bank	6.00	C. Hoare & Co	6.00	● Members of London Investment Banking Association	
Brit Bk of Mid East	6.00	Hongkong & Shanghai	6.00	* In administration	
●Brown Shipley & Co Ltd	6.00	Julian Hodge Bank	6.00		
Citibank NA	6.00	●Leopold Joseph & Sons	6.00		
Clydesdale Bank	6.00	Lloyds Bank	6.00		
The Co-operative Bank	6.00	Meghraj Bank Ltd	6.00		
Coutts & Co	6.00	Midland Bank	6.00		
Credit Lyonnais	6.00	* Mount Credit Corp	6.25		
Cyprus Popular Bank	6.00	NatWest	6.00		
		●Rea Brothers	6.00		

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BANKS, RETAIL

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ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

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ENGINEERING - Cont.

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EXTRACTIVE INDUSTRIES - Cont.

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RETAILERS, GENERAL - Cont.

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SUPPORT SERVICES - Cont.

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AIM - Cont.

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GUIDE TO LONDON SHARE SERVICE

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xf ex capital distribution.

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Royal Bk of Canada O/S Fd Mgrs Ltd

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Global Asset Management

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AXA Equity & Law Intl Fund Mgrs

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LONDON STOCK EXCHANGE

MARKET REPORT

Worrying economic news sees equities retreat

By Steve Thompson,
UK Stock Market Editor

Some worrying news on the domestic economy, which ditched the gilts market, plus a poor opening performance by Wall Street took the wind out of the sails of the UK equities yesterday.

Previously the FT-SE 100 index had basked in the glow of a scintillating performance by National Power and its fellow generator PowerGen, reaching an all-time intra-day high of 3,837.5.

And news that the chancellor of the exchequer and the Governor of the Bank of England had both indicated the possibility of a rise in interest rates later in the year, in the event of any threatened expansion in money supply, was another dampener on the market.

Dealers insisted, however, that the latest news on the economy, which showed a much sharper than expected fall in unemployment last month and a disturbing increase in average earnings, would prove only a temporary brake on the market's recent strong upside performance. There was also renewed talk that a bid for Ladbroke, the hotels and gaming group, was being prepared.

The market's poor showing confounded some of the optimists, however, who had expected a surge of fresh buying after confirmation of Tuesday's intense speculation that a bid move against National Power was imminent.

The FT-SE 100 index, which cruised through the 3,800 level on Tuesday, ended a difficult day a net 19.7 down at 3,805.6.

There was a much better feeling around the market's second line stocks, however, which saw the FT-SE Mid 250 index ignore the problems of the leaders and move up 5.6 to a record 4,464.1, its fifth consecutive peak.

Gilts were continually being pressured by the unemployment news, which saw a much sharper than expected reduction in jobless numbers in the UK, as well as a steeper than forecast rise in average earnings, news which was interpreted by some market observers as sharply reducing the chances of another trimming of UK interest rates in the medium term.

The day's most dramatic news, confirmation from Southern Co. of the US, of its interest in bidding for National Power, saw the generator's shares rocket.

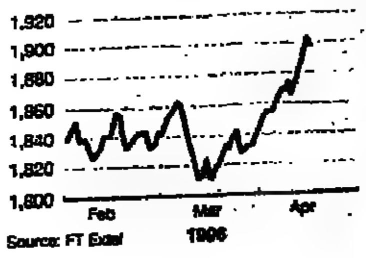
The news did impact heavily on the other utilities, however, with the electricity and water stocks coming under heavy selling pressure as speculators, who had been betting on bids in both sectors, sold out of companies such as South West Water, seen as a potential target for Southern Co, and Southern Electricity, where National Power has already tabled a bid.

Senior dealers were by no means disheartened by the market's slide yesterday. "More bids in the utilities mean more cash coming into the market; and you have to remember that the market is due for some profit-taking after its recent good run," commented a senior marketmaker.

It was said that at 3,800 on the FT-SE 100 the market has started to run out of steam in the short term.

Turnover at 6pm was a good 927.3m shares, with non-FT-SE 100 stocks again accounting for more than 60 per cent of the total.

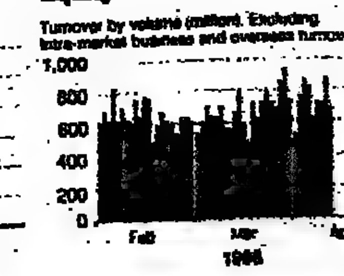
FT-SE-A All-Share index



Source: FT Extel

Equity shares traded

Turnover by volume (million). Excluding intra-market business and overseas turnover



Indices and ratios

FT-SE 100	3805.6	-19.7
FT-SE Mid 250	4464.1	+5.6
FT-SE-A 350	1918.5	-7.2
FT-SE-A All-Share	1897.37	-5.81
FT-SE-A All-Share yield	3.71	3.70

FT Ordinary index	2824.4	-20.9
FT-SE-A Non Fins p/e	17.50	17.54
FT-SE 100 Fut Jun	3814.00	-22.00
10 yr Gilt yield	8.12	8.04
Long gilt/equity yld ratio:	2.28	2.25

Best performing sectors

1. Electricity .... +3.2
2. Life Assurance .... +1.0
3. Distributors .... +0.8
4. Breweries: Pubs & Rest .... +0.8
5. Extractive Industries .... +0.5

Worst performing sectors

1. Oil Integrated .... -1.8
2. Gas Distribution .... -1.8
3. Banks: Retail .... -1.5
4. Water .... -1.3
5. Mineral Extraction .... -1.3

SE set to probe NatPower

Stock exchange officials look set to investigate dealings surrounding National Power.

It was a surge in the price on Tuesday accompanied by very heavy turnover which prompted the UK generator to announce that Southern Company, the US utility, was "considering a combination of the businesses of Southern Company and National Power".

The Stock Exchange investigates any unusual share price movements and will certainly be keen to find out how word leaked into the market that something was going on.

National Power shares added to Tuesday's 30p rise with a jump of 56½ to 578p on volume of 25m. And when turnover in the partly paid shares and traded options was added, the daily volume leapt to 40m – more than 3.5 per cent of the total issued equity.

The leap in the shares put a rocket under generators. PowerGen forged ahead 29 to 599p, while Scottish Power climbed 6 to 374p and Scottish Hydro 8 to 350p.

However, there was a different impact on other utilities. Southern Electricity fell 33 to 852p on a knee-jerk reaction that if there was a US bid for NatPower then the latter's bid for the UK rec would fail.

And a number of water stocks trickled lower as the US group said it was not planning to buy a UK water company.

Top conglomerate Hanson moved ahead against the market trend, adding 2¼ at 191¾p in 18m traded. The latest power merger talks were said to have stirred up speculation that there could be a bid for Hanson's power operations. These are variously estimated to be worth £4.5bn.

Williams Holdings stayed in demand, adding a penny at 340p. SBC Warburg reiterated its buy stance and BZW issued a buy note; volume was the best for 8 months at 6m.

Williams gets around 50 per cent of profits from home improvements, and the shares have put on 5 per cent in three days on the back of the improved housing sentiment.

The combination of encouraging first-quarter figures from Prudential and a bullish note on the sector from Merrill Lynch gave a lift to life assurance stocks.

The Pru rose 8 to 454p on healthy turnover of 5.9m shares after the company said worldwide sales of single contribution life, pensions and investment products increased by 12 per, while regular contributions rose 4 per cent.

Also Merrill has issued a chunky piece of research which concentrates on the growing need for long term savings as governments attempt to shift the burden of an ageing population.

Irish Life added 3 at 265p, while other life stocks were flat in a falling market.

Biotech stocks continued their seemingly relentless rise. The sub-sector was led upwards by Cantab, which advanced 107 to 655p, dealers citing a recommendation from ABN Amro Hoare Govett.

British Biotech, which stood below 500p a share nine months ago, added 55 at 2630p, a new closing high. And Celltech put on 22 at 558p.

The retail sector continued to bask in reports of increased consumer spending, with the best performers including Storehouse, which rose 7 to 359p, and Austin Reed, ahead 16 at 240p.

A number of smaller companies showed sharp price increases, including Oasis Stores, up 18 to 367p, and DFS, the upholstered furniture company which put on 18 at 497p. N. Brown, the small specialist mail order company, jumped 24 to 328p. Rumours recirculated that the company was interested in Littlewood's mail order business.

Next, the high street fashion retailer, fell 15 to 563p on profit-taking. UBS moved from a "buy" to a "hold" on the stock on medium term concern over rising high street competition.

W.H. Smith shed 13 to 474p and Boots lost 10 to 630p, with the market starting to understand that there is no quick solution to Do It All, their jointly held DIY chain.

Brewers remained firm, with hopes for growing consumer spending particularly affecting Bass, 8 higher at 779p, and Whitbread, up 10 at 734p.

The prospect of government aid for the UK's BSE-hit dairy industry helped shares in Unigate into positive territory. They finished 7 stronger at 413p, with 1.1m traded by the close.

Electronics groups had a trend-breaking day, with a number of shares moving ahead strongly on the back of further good news among US technology stocks.

Intel announced strong first-quarter results on Monday and, yesterday, numbers from IBM were equally impressive, outpacing Wall Street estimates and taking an increase for the dividend.

Amstrad jumped 12½ to 195½p, reversing a recent sharp sell-off. Acorn appreciated 10 to 218p and Forward Group advanced 28 to 708p.

Ahead of next week's analysts' trip to the US, Fairey put on 16 at 634p.

Building society turned bank Abbey National shed Tuesday's gain with a fall of 9 to 586p as its trading update contained news that its share of the increase in UK mortgages in the first quarter was below its long-term average of 12.3 per cent.

Property shares continued to gain from Tuesday's positive note from Merrill Lynch. The list included Land Securities, which advanced another 8 to 659p, with Tradepoint said to have carried out around half the day's total business in the stock. Volume came to 1.5m shares at the close.

However, not everyone is a fan of the stock and NatWest Securities believes it to be fully priced and reiterated its "reduce" recommendation.

NatWest said: "It requires the greatest growth in its portfolio of all the majors to produce a 10 per cent rise, and is standing at one of the widest divergence to its 12-month average discount."

Supermarket chain Tesco, which reported figures on Tuesday, continued to be a busy trade with volume rising to 7.3m shares by the close of the session.

The stock continued to find both supporters and sellers. The two-way pull left the shares unchanged at 287p. NatWest Securities reiterated its "reduce" stance on the stock and urged clients to switch into Asda. The latter moved forward 1¼ to 110¾p during trade of 10m shares.

In the rest of the sector, Argyll Group remained out of favour which left the shares trailing 3 at 327¼p, while it was general profit-taking in J. Sainsbury that saw the shares relinquish 3 to 372p.

Wm Morrison Supermarkets hardened 4½ to 160p as takeover talk in the stock returned to the market.

The suggestion that USAir was back in play helped British Airways firm 2 to 537p.

The management of the troubled US airline, in which BA has a 25 per cent stake, made it clear that it was searching for a partner. BA has written down its $400m shareholding in USAir by 50 per cent, and there has long been speculation that the UK carrier would make further provisions.

MARKET REPORTERS:
Peter John, Joel Kibazo, Jeffrey Brown, Lisa Wood.

FINANCIAL TIMES EQUITY INDICES

	Apr 17	Apr 16	Apr 15	Apr 12	Apr 11	Yr ago	*High	*Low
Ordinary Share	2824.4	2845.3	2824.1	2804.4	2763.7	2419.5	2845.3	2696.7
Ord. div. yield	4.00	3.97	4.00	3.86	3.88	4.37	4.08	3.76
P/E ratio net	16.24	16.37	16.25	16.85	16.77	16.46	17.25	15.96
P/E ratio nil	16.01	16.13	16.01	16.60	16.52	16.39	17.03	15.76

Ordinary Share index since compilation: high 2845.3 16/04/96; low 49.4 26/06/40 Base Date: 1/7/35

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2849.0	2840.8	2830.5	2827.7	2825.6	2826.8	2828.6	2827.3	2826.8	2849.3	2823.7

	Apr 17	Apr 16	Apr 15	Apr 12	Apr 11	Yr ago
SEAQ bargains	42,666	36,890	35,236	33,393	31,016	20,557
Equity turnover (£m)†	-	1656.5	1659.3	2579.0	1763.8	1252.4
Equity bargains†	-	42,903	40,905	38,466	37,650	30,439
Shares traded (ml)†	-	762.9	696.8	871.8	712.9	439.2

†Excluding intra-market business and overseas turnover

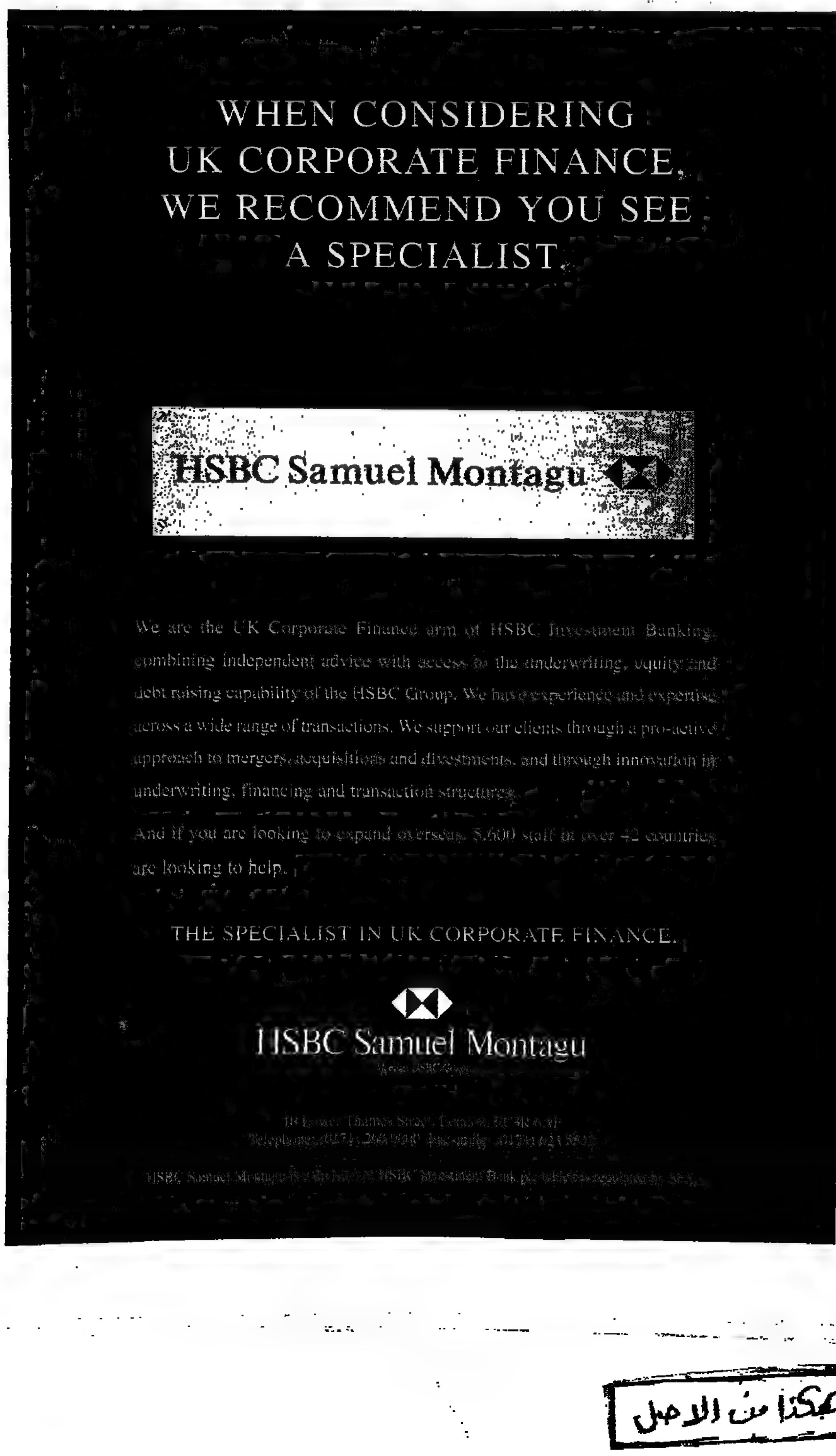
	Apr 17	Apr 16	Apr 15	Apr 12	Apr 11	Yr ago	*High	*Low
FT-SE AIM	1019.20	1014.40	1005.50	997.50	988.10	-	1064.82	985.66

*For 1996.

■ London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	793	Total Highs	277	Total contracts	57,984
Total Falls	567	Total Lows	16	Calls	34,217
Same	1423			Puts	23,747

Apr. 17 *Data based on Equity shares listed on the London Share Service.



FUTURES AND OPTIONS

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	3838.0	3814.0	-22.0	3838.0	3811.0	11212	60923
Sep	3831.0	3834.0	-22.0	3834.0	3830.0	1258	2437
Dec	3855.0	3853.0	-20.0	3855.0	3855.0	50	31

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun		4475.0	+8.0			0	3591

■ FT-SE 100 INDEX OPTION (LIFFE) (*3808) £10 per full index point

	3650 C	3650 P	3700 C	3700 P	3750 C	3750 P	3800 C	3800 P	3850 C	3850 P	3900 C	3900 P	3950 C	3950 P	4000 C	4000 P
Apr	158½	1	108½	1	59½	1½	15	10½	1	51	1	101	1	151	1	201
May	170	10	126½	16½	88	28	56½	45½	32	72½	19	107½	8½	151	2	201
Jun	186	24½	148	36	113	51	82	70	58	95½	36	128½	23	163	14	205½
Jul	207	40½	170	53	138	71	107½	90½	83½	116½	61	144½	46½	179½	31	216½
Dec†			250	107½			189½	149½			143½	198½			106	259½

Calls 5,712 Puts 10,627

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

	3625 C	3625 P	3675 C	3675 P	3725 C	3725 P	3775 C	3775 P	3825 C	3825 P	3875 C	3875 P	3925 C	3925 P	3975 C	3975 P
Apr	180	1	130	1	80½	1	34½	4½	6	35	1	70	1	120	1	170
May	191	6	146½	12	108	20½	71½	35½	43½	57½	23½	87	11	124½	4½	167½
Jun	211	23½	169½	31	129	41	96	57	68½	79	47	107½	32	141½	20	179½
Sep	251	57			194	87½			127½	129½			88½	184		
Dec†	304½	85½			239½	116½			182½	154½			132	201½		

Calls 2,353 Puts 1,795 * Underlying index value. Premiums shown are based on settlement prices.
† Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1996 High	1996 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
-	F.P.	38.3	705	675	Abtrust Em Asia	705	+7	-	-	-	-
-	F.P.	28.5	98	95	Advent VCT	95		-	-	-	-
-	F.P.	14.3	95	95	British Smlr Cos	95		-	-	-	-
-	F.P.	22.1	245	230	Cambridge Wtr NV	245	+5	11tn16	3.1	3.3	4.9
100	F.P.	9.50	95	95	Capital Co's VCT	95		-	-	-	-
55	F.P.	13.9	86	83	Cardcast	83	-3	W0.5	-	8.7	19.7
73	F.P.	27.4	86	50	Clyveden	81	+1	Ln1.6	3.0	2.5	16.7
-	F.P.	28.5	95	95	Close Bros VCT	95		-	-	-	-
300	F.P.	32.0	325	305	†Dcom	320		-	-	-	12.9
100	F.P.	15.0	137	100	Easynet	105		-	-	-	-
235	F.P.	88.7	304	245	Fi Group	297	+7	Rn6.1	1.7	1.7	39.0
-	F.P.	20.2	98	90	Gartmore VCT	90		-	-	-	-
-	F.P.	21.4	95	95	Guinness Fl VCT	95		-	-	-	-
100	F.P.	27.2	97	96	Hill Saml UK Emg Co	96		-	-	-	-
-	F.P.	3.67	80	80	Hotingham Props	80		-	-	-	-
75	F.P.	19.0	88	75½	ILP Group	88		-	-	-	13.5
235	F.P.	2,358	248	220	Orange	235½	+3	-	-	-	-
-	F.P.	7.39	20	17	Pacific Hsn Wts	17		-	-	-	-
-	F.P.	7.60	95	95	Penna AIM VCT	95		-	-	-	-
-	F.P.	68.2	100	88	Rebus	100	+2	31.16	-	1.4	-
-	F.P.	17.1	95	90	Quester VCT	95		-	-	-	-
32	F.P.	3.15	35	32	Raphael Zorn	35		v1.25	1.3	4.5	22.0
-	F.P.	27.4	102	100½	Scottish Asian C	100½	-½	-	-	-	-
1	F.P.	4.96	4	3½	Silver Shield	3½		v-	-	-	15.6
-	F.P.	16.2	513	500	Taverners Tst Ut	513		-	-	-	-

‡ Alternative Investment Market. For a full explanation of all other symbols please refer to The London Share Service notes.

FT GOLD MINES INDEX

	Apr 16	% chg on day	Apr 15	Year ago	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index (30)	2302.46	-0.7	2319.45	1894.83	1.39	-	2589.73	1722.98
■ Regional Indices								
Africa (13)	3064.10	+2.0	3004.27	2705.98	2.81	36.12	3553.86	2272.74
Australasia (5)	2871.07	-1.0	2897.62	2428.03	2.41	38.86	2937.34	2098.51
North America (12)	2033.59	-1.9	2072.64	1625.76	0.67	65.97	2185.39	1488.94

 Figures in brackets show number of companies. Basis US Dollars. Base Values: 1000.00 31/12/92. † Partial. Latest prices were unavailable for this edition.

FT - SE Actuaries Share Indices — The UK Series

	Apr 17	Day's chge%	Apr 16	Apr 15	Apr 12	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	3805.6	-0.5	3825.3	3790.5	3768.6	3170.1	3.80	2.13	15.08	62.20	1548.57
FT-SE Mid 250	4464.1	+0.1	4458.5	4416.7	4408.0	3482.6	3.33	1.71	22.03	65.99	1782.46
FT-SE Mid 250 ex Inv Trusts	4498.3	+0.2	4491.3	4447.8	4441.6	3492.7	3.43	1.75	20.78	70.01	1798.75
FT-SE-A 350	1918.5	-0.4	1925.7	1908.0	1897.9	1575.6	3.77	2.04	16.21	30.70	1593.84
FT-SE-A 350 Higher Yield	1854.5	-0.5	1863.1	1845.4	1834.7	1596.6	4.99	1.90	13.17	38.09	1287.27
FT-SE-A 350 Lower Yield	1990.0	-0.3	1995.8	1978.2	1965.6	1564.9	2.65	2.29	20.60	23.56	1370.97
FT-SE SmallCap	2155.13	+0.5	2143.90	2130.37	2123.96	1742.83	3.00	1.78	23.41	18.75	1758.16
FT-SE SmallCap ex Inv Trusts	2143.12	+0.6	2130.34	2116.78	2110.75	1719.81	3.20	1.86	20.98	18.07	1758.19
FT-SE-A ALL-SHARE	1897.37	-0.3	1903.18	1885.31	1876.50	1556.15	3.71	2.03	16.60	29.28	1600.77

■ FT-SE Actuaries All-Share

	Apr 17	Day's chge%	Apr 16	Apr 15	Apr 12	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(24)	3485.30	-1.3	3529.71	3507.85	3507.44	2741.29	3.74	1.78	18.79	66.56	1496.19
12 Extractive Industries(6)	4554.40	+0.5	4533.38	4484.26	4456.26	3726.17	3.56	2.36	14.96	109.19	1340.21
15 Oil, Integrated(3)	3493.38	-1.8	3556.26	3539.17	3545.16	2727.24	3.96	1.68	18.76	65.59	1536.46
16 Oil Exploration & Prod(15)	2505.71	+0.3	2498.02	2471.70	2457.44	1966.39	2.08	1.59	37.75	32.05	1507.39
20 GEN INDUSTRIALS(277)	2139.34	-0.1	2142.44	2125.66	2117.33	1869.91	3.94	1.85	17.18	26.92	1163.68
21 Building & Construction(34)	1221.89	+0.4	1216.68	1199.12	1195.53	954.87	3.36	1.89	18.69	14.49	1019.70
22 Building Matls & Merchs(29)	1965.75	....	1966.40	1951.64	1953.47	1727.75	3.84	1.84	17.72	23.24	987.78
23 Chemicals(25)	2570.11	-0.1	2572.89	2563.78	2556.17	2285.88	3.85	1.91	17.03	35.36	1213.69
24 Diversified Industrials(20)	1794.40	-0.4	1802.04	1790.13	1773.29	1632.29	5.67	1.51	14.61	40.91	1003.87
25 Electronic & Elect Equip(36)	2417.38	-0.6	2431.06	2401.66	2402.89	1872.14	2.99	1.71	24.42	8.38	1244.62
26 Engineering(71)	2467.31	+0.4	2457.57	2432.39	2427.71	1822.59	3.11	2.43	16.53	21.69	1490.40
27 Engineering, Vehicles(13)	2982.87	-1.2	3019.58	2977.88	2988.25	2189.60	3.56	1.91	18.32	27.16	1535.78
28 Paper, Pckg & Printing(26)	2758.23	-0.3	2767.02	2744.26	2732.05	2789.13	3.71	2.03	16.61	37.93	1147.21
29 Textiles & Apparel(19)	1492.73	+0.3	1487.88	1489.26	1489.78	1585.74	4.73	1.61	16.40	10.65	901.71
30 CONSUMER GOODS(90)	3469.69	-0.1	3475.00	3451.55	3412.64	2984.77	4.03	1.85	16.80	67.45	1283.72
32 Alcoholic Beverages(9)	2826.58	-0.6	2843.35	2827.56	2772.55	2714.80	4.39	1.60	17.77	57.51	1020.89
33 Food Producers(23)	2502.66	+0.2	2498.53	2482.15	2478.07	2400.21	4.13	1.82	16.59	44.38	1129.68
34 Household Goods(16)	2621.26	-0.2	2627.40	2627.77	2620.83	2445.48	3.79	2.41	13.72	51.26	1003.91
36 Health Care(20)	1925.84	+0.1	1923.11	1920.90	1924.99	1709.67	2.75	1.90	23.93	12.20	1163.56
37 Pharmaceuticals(12)	4832.87	-0.2	4843.52	4828.41	4748.36	3749.48	3.50	1.87	19.04	81.77	1841.51
38 Tobacco(1)	4320.15	+0.2	4311.68	4193.09	4184.62	3722.82	5.88	2.00	10.64	156.18	1085.19
40 SERVICES(254)	2505.46	-0.1	2507.44	2479.89	2471.39	1926.08	2.80	2.07	21.50	27.12	1298.89
41 Distributors(32)	2883.69	+0.8	2860.25	2828.87	2810.41	2394.82	2.87	1.81	24.02	30.10	1061.37
42 Leisure & Hotels(23)	3192.61	....	3193.59	3135.02	3109.13	2158.49	2.63	2.14	22.22	139.93	1718.35
43 Media(46)	4208.96	-0.3	4221.37	4196.32	4194.52	2848.06	2.12	1.96	30.19	36.43	1520.81
44 Retailers, Food(15)	1948.41	-0.1	1949.93	1951.07	1940.01	1859.02	3.84	2.41	13.53	5.02	1223.23
45 Retailers, General(43)	2092.21	-0.3	2097.89	2058.22	2046.51	1611.09	2.86	2.22	19.49	18.07	1180.36
47 Breweries, Pubs & Rest.(24)	3122.90	+0.8	3096.77	3072.24	3060.53	2251.01	3.16	2.08	19.01	15.93	1489.21
48 Support Services(50)	2223.94	-0.3	2230.87	2202.10	2195.05	1515.27	2.20	2.51	22.62	11.85	1407.24
49 Transport(21)	2446.11	-0.2	2449.94	2416.56	2421.38	2199.15	3.55	1.41	24.68	26.99	1015.96
60 UTILITIES(33)	2610.03	+0.2	2603.60	2574.56	2580.24	2295.71	4.75	2.06	12.78	35.13	1101.93
62 Electricity(12)	2966.91	+3.2	2874.64	2822.77	2835.68	2201.55	4.68	2.58	10.35	137.11	1428.06
64 Gas Distribution(2)	1598.46	-1.8	1627.01	1613.72	1604.12	1990.98	7.50	1.36	12.26	0.00	801.97
66 Telecommunications(7)	2170.32	-0.5	2180.97	2167.88	2173.96	1968.61	3.89	1.76	18.31	0.15	982.42
68 Water(12)	2189.82	-1.3	2219.64	2181.85	2188.48	1848.42	5.57	2.59	8.65	3.61	1187.52
69 NON-FINANCIALS(668)	2026.03	-0.2	2030.12	2012.15	2004.24	1679.19	3.70	1.93	17.50	29.05	1532.68
70 FINANCIALS(105)	2882.33	-0.9	2907.30	2870.21	2847.85	2246.12	4.11	2.56	11.85	64.61	1244.76
71 Banks, Retail(8)	3987.27	-1.5	4048.41	3991.07	3947.19	3000.03	3.88	2.77	11.62	104.55	1311.26
72 Banks, Merchant(6)	3465.59	-0.8	3492.82	3467.74	3459.76	3141.84	2.84	2.38	18.46	30.82	1096.15
73 Insurance(23)	1388.85	-0.7	1398.31	1389.55	1381.94	1250.32	5.69	3.15	6.97	32.08	1041.54
74 Life Assurance(6)	3646.09	+1.0	3611.46	3574.48	3575.72	2481.84	4.10	2.23	13.70	100.72	1526.46
77 Other Financial(21)	2583.21	+0.4	2573.65	2567.96	2568.78	1976.29	3.78	1.79	18.44	25.06	1482.77
79 Property(41)	1523.42	+0.1	1521.95	1487.23	1477.32	1344.15	4.15	1.31	23.04	10.45	830.52
80 INVESTMENT TRUSTS(126)	3212.63	....	3214.02	3195.48	3174.18	2638.45	2.13	1.07	54.70	22.63	1119.83
89 FT-SE-A ALL-SHARE(899)	1897.37	-0.3	1903.18	1885.31	1876.50	1556.15	3.71	2.03	16.60	29.28	1600.77
FT-SE-A Fledgling	1202.97	+0.5	1197.04	1191.05	1184.61	966.59	2.87	2.18	20.03	9.78	1253.32
FT-SE-A Fledgling ex Inv Trusts	1207.34	+0.6	1200.59	1194.26	1187.37	982.16	3.12	2.35	17.04	10.71	1257.90

■ Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	3837.5	3827.8	3812.6	3808.7	3809.0	3811.3	3813.0	3811.2	3808.3	3837.5	3804.4
FT-SE Mid 250	4462.7	4461.6	4463.1	4464.4	4463.2	4464.4	4464.8	4465.1	4465.7	4468.8	4461.1
FT-SE-A 350	1930.8	1926.9	1921.1	1919.7	1919.7	1920.8	1921.5	1920.8	1919.7	1930.8	1918.0

Time of FT-SE 100 Day's high: 8:30 AM Day's low: 4:28 PM. FT-SE 100 1996 High: 3825.3 (16/04/96) Low: 2954.2 (23/01/96).

■ FT-SE Actuaries 350 Industry baskets

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous	Change
Bldg & Cnstrcn	1218.9	1219.2	1217.2	1215.7	1216.4	1216.4	1216.8	1218.0	1217.8	1217.7	1214.7	+3.0
Pharmaceutcls	4814.0	4806.6	4788.0	4786.6	4786.6	4785.5	4779.4	4778.2	4777.0	4774.7	4785.7	-11.0
Water	2206.1	2202.4	2199.0	2189.4	2184.3	2184.3	2185.0	2182.6	2182.3	2182.9	2213.2	-30.3
Banks, Retail	4096.9	4081.3	4056.1	4049.4	4051.5	4053.8	4050.4	4050.8	4048.0	4038.2	4100.1	-61.9

Additional information on the FT-SE Actuaries Share Indices is published in Saturday issues.

"The FT-SE Actuaries Share Indices are calculated by FT-SE International Limited in conjunction with the Faculty of Actuaries and the Institute of Actuaries. The FT-SE Actuaries Share Indices are calculated in accordance with a standard set of ground rules established by FT-SE International Limited in conjunction with the Faculty of Actuaries and the Institute of Actuaries. "FT-SE" and "Footsie" are trademarks of the London Stock Exchange and the Financial Times Limited and are used by FT-SE International Limited under licence. Auditor: The WM Company." † Sector P/E ratios greater than 80 are not shown. ‡ Values are negative. CHANGE OF NAME: Premier Farnell formerly Farnell Electronics, Fleming Smaller Cos formerly River & Mercantile Smaller Cos.

TRADING VOLUME

■ Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change
3i	144	441	+1
ASDA Group†	10,000	110½	+1½
Abbey National†	3,000	577	-9
Albert Fisher	1,100	46	+½
Allied Domecq†	1,400	503	[illegible]
Anglian Water	4,000	582	+1½
Argos†	690	610	
Argyll Group†	2,700	327½	-3
Arjo Wiggins	1,200	188	-1
Assoc. Brit. Foods†	413	462	-½
Assoc. Brit. Ports	741	298	-6
BAA†	2,600	547	-5
BAT Inds.†	8,800	510	+1
BBA	910	301	
BET	11,000	209	-3½
BICC	1,300	298	-8
BOC†	440	914	-9
BP†	11,000	666½	-7½
BPB Inds	3,700	330	-3
BSkyB†	2,100	487	-2
BT†	4,500	372½	-1½
BTR†	3,900	316	-3
Bank of Scotland†	2,400	251	-4½
Barclays†	3,300	748	-1
Bass†	1,400	779	+8
Blue Circle†	1,000	340	-4
Booker	689	380	+1
Boots†	1,400	630	-10
[illegible]	15	604	
Brit. Aerospace†	1,300	[illegible]	[illegible]
British Airways†	1,100	537	+2
British Gas†	11,000	239½	-4
British Land	2,700	419	-3
British Steel†	3,900	190	+½
Bunzl	929	221	-1
Burmah Castrol†	747	1034	-1
Burton†	7,800	157½	+½
Cable & Wire†	6,400	452	-4
Cadbury Schweppes†	2,100	530	-1
Caradon	2,500	237	+1
Carlton Comms.†	582	484	+1
Coats	408	370	
Coats Viyella	475	201	
Comm. Union†	1,300	581	-6
Compass	8,000	544	-3
Cookson†	3,900	277	-4
Courtaulds†	875	434	-3
Dalgety	292	408	-1
De La Rue	393	719	-3
Dixons†	3,600	501	-8
East Midland Elect.	473	650	-6
Electrocomps	111	389	-3
Eng China Clays	534	310	-3
Enterprise Oil†	3,700	462	-1
Eurotunnel Units	310	71½	-½
FKI	544	177	
Foreign & Col. I.T.†	464	161	-½
Gen. Accident†	835	649	-5
General Elect.†	4,600	363½	-4½
Glaxo Wellcome†	8,100	795	-6
Glynwed	1,100	375	+1
Granada†	920	823	
Grand Met.†	1,000	443	-4
GUS†	1,400	741	-1
Greenalls†	732	630	+1
GRE†	867	273	-1½
GKN†	2,100	970	-17
Guinness†	3,300	465½	-6
HSBC (75p shrs)†	1,200	1000½	-28½
Hammerson	862	380	-5
Hanson†	18,000	191¾	+2¼
Harrisons Crosfield	1,000	147	+1
Hays	342	425	-1
Hillsdown	1,000	182	-2
Hyder	1,400	752	-2
IMI	552	360	+1
ICI†	1,300	829	
Inchcape	2,400	314	+1
Johnson Matthey	221	601	+1
Kingfisher†	2,200	594	-8
Kwik Save	1,300	470	-2
Ladbroke†	8,200	191	+3
Land Securities†	1,500	659	+8
Laporte	182	698	[illegible]
Legal & General†	443	699½	-1
Lloyds Abbey	127	536	-1
Lloyds TSB†	7,600	321½	-1
LASMO†	2,300	191	-1
London Elect	126	715	
Lonrho	2,900	197½	-4½
Lucas	3,900	204	-11
MEPC	353	417	
MFI	4,300	165	
Marks & Spencer†	11,000	451½	-7
Mercury Asset Man	118	903	
Midlands Elect	224	401	+4
Morrison (Wm)	5,000	160	+4½
NFC	1,800	172	-1
NatWest Bank†	4,200	636	-14
National Grid†	10,000	193½	-½
National Power†	25,000	578	+56½
Next	2,800	563	-15
Northern Elect	238	699	+8
Northern Foods	3,600	175	-3
Pearson†	639	719	-3
P & O†	2,200	528	-3
Pilkington†	1,400	216	+1
PowerGen†	6,200	599	+29
Premier Farnell	777	687	+14
Prudential†	5,900	454	+8
REXAM†	1,700	393	-12
RMC†	177	1050	-10
RTZ†	2,600	1019	-8
Racal	978	331	-4
Rank Org.†	5,100	521	-4
Reckitt & Colman†	770	685	-3
Redland†	1,100	412	-2
Reed Intl.†	1,500	1186	-8
Rentokil†	2,500	357	-8
Reuters†	2,900	753½	+6½
Rolls Royce†	4,000	278	
Ryl Bk Scotland†	1,500	518	-1
Royal Insurance†	3,100	359	-3
Sainsbury†	2,000	372	-3
Schroders†	45	1215	-48
Scottish & New.†	1,400	676	-3
Scot. Hydro-Elect.	1,400	350	+8
Scottish Power†	3,600	374	+6
Sears	1,500	97½	-1
Sedgwick	634	142	
Seaboard	1	838	
Severn Trent†	609	592	-11
Shell Transport†	6,100	870½	-11½
Siebe†	793	871	
Slough Ests	2,300	218	
Smith (W.H.)	3,000	474	-13
Smith & Nephew†	16,000	181½	-½
SmKl Beecham†	7,000	659½	-4½
Smiths Inds.†	1,100	709	-11
Southern Elect†	8,450	852	-33
South West Water	98	712	-17
Southern Water	1,400	785	-4
Standard Chartd.†	1,300	617	-18
Storehouse	1,500	359	+7
Sun Alliance†	3,200	388	-4
T&N	302	178	-6
TI Group†	1,200	553	-1
Tarmac	2,100	125	-1
Tate & Lyle†	375	483	
Taylor Woodrow	4,700	161	+1
Telewest	380	159	
Tesco†	7,300	287	
Thames Water†	4,300	527	-6
Thorn EMI†	611	[illegible]	-14
Tomkins†	3,700	287	-3
Trafalgar House	304	30½	-½
Unigate	1,100	413	-1
Unilever†	2,800	1304	-8
United Biscuits	3,400	236	-1
Utd. News & Media	1,100	680	-4
United Utilities†	4,300	541	-3
Vodafone†	2,900	261½	-½
WPP	3,700	205	+1
Wessex Water	1,700	348	-3
Whitbread†	2,500	734	+10
Williams Hldgs.†	6,400	340	+1
Willis Corroon	1,200	137	+1
Wimpey	1,400	149	-1
Wolseley†	335	476	-1
Yorkshire Elect	183	806	+1
Yorkshire Water	2,200	694	-4
Zeneca†	806	1347	-12

Based on trading volume for a selection of major securities dealt through the SEAQ system yesterday until 4.30pm. † Indicates an FT-SE 100 index constituent. All trades are rounded. Source: FT Extel.

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WORLD STOCK MARKETS

EUROPE

AUSTRIA (Apr 17 / Sch)

BELGIUM/LUXEMBOURG (Apr 17 / Frs.)

CZECH REP (Apr 17 / Koruna)

DENMARK (Apr 17 / Kr)

FINLAND (Apr 17 / Mka)

FRANCE (Apr 17 / Frs)

GERMANY (Apr 17 / Dm.)

GREECE (Apr 17 / Drachma)

ITALY (Apr 17 / Lire)

NETHERLANDS (Apr 17 / Fls.)

NORWAY (Apr 17 / Kroner)

POLAND (Apr 17 / Zloty)

PORTUGAL (Apr 17 / Escudo)

SPAIN (Apr 17 / Pta.)

SWEDEN (Apr 17 / Kronor)

SWITZERLAND (Apr 17 / Frs.)

TURKEY (Apr 17 / Tk Lira)

PACIFIC

JAPAN (Apr 17 / Yen)

HONG KONG (Apr 17 / H.K.$)

INDONESIA (Apr 17 / Rupiah)

MALAYSIA (Apr 17 / MYR)

NEW ZEALAND (Apr 17 / NZ $)

SINGAPORE (Apr 17 / S$)

AUSTRALIA (Apr 17 / Aust$)

SOUTH KOREA (Apr 17 / Won)

TAIWAN (Apr 17 / TW $)

THAILAND (Apr 17 / Baht)

AFRICA

SOUTH AFRICA (Apr 17 / Rand)

NORTH AMERICA

CANADA

MONTREAL (Apr 17 / Can $) 4 pm close

TORONTO (Apr 17 / Can $) 4 pm close

INDICES

US INDICES

Standard and Poors

Composite‡	645.00	642.49	636.71	661.45 (12/2)	598.48 (10/1)	661.45 (12/2/96)	4.40 (1/6/32)
Industrials¶	765.52	761.87	754.95	776.23 (22/2)	702.07 (15/1)	776.23 (22/2/96)	3.62 (21/6/32)
Financial	64.64	65.27	64.66	68.56 (5/3)	58.57 (10/1)	68.56 (5/3/96)	8.64 (1/10/74)
NYSE Comp.	346.25	345.20	342.41	361.92 (4/4)	321.41 (10/1)	361.92 (4/4/96)	4.46 (25/4/42)
Amex Mkt Val	578.31	576.11	572.26	578.31 (16/4)	529.05 (18/1)	578.31 (16/4/96)	29.31 (9/12/72)
NASDAQ Cmp	1124.92	1110.44	1100.84	1124.92 (16/4)	988.57 (15/1)	1124.92 (16/4/96)	54.87 (31/10/72)

■ RATIOS

	Apr 12	Apr 5	Mar 29	Year ago
Dow Jones Ind. Div. Yield	2.17	2.11	2.15	2.60
	Apr 10	Apr 3	Mar 27	Year ago
S & P Ind. Div. yield	1.92	1.86	1.87	2.26
S & P Ind. P/E ratio	20.83	21.43	21.21	18.11

■ NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Close price	Change on day
Loral Space	7,493,700	13⅞	+⅜
Telo de Mex	5,956,700	35⅝	-⅛
Thrifty Payles	5,353,800	14	—
Motorola	4,897,500	58¾	+1⅞
Micron Tech	4,863,800	33⅝	+1
Intl Paper	4,640,600	41⅞	+1⅛
Enserch	4,210,900	20⅝	-⅛
Stone Contain	4,116,700	16	+1⅛
Bay Network	3,802,800	28⅞	+1½
Mercury Fin	3,200,200	12	-1⅝

■ TRADING ACTIVITY

● Volume (million)

	Apr 16	Apr 15	Apr 12
New York SE	454.457	348.232	414.239
Amex	295.322	209.696	208.713
NASDAQ	634.802	478.876	495.974
NYSE			
Issues Traded	3,124	3,125	3,112
Rises	1,313	1,675	1,581
Falls	1,026	740	826
Unchanged	785	709	726
New Highs	142	116	86
New Lows	8	13	13

■ S&P 500

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Jun	647.05	647.00	-0.30	647.00	646.00	99,811	175,739
Sep	652.20	651.65	-1.10	652.25	651.65	951	5,591

■ Nikkei 225

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	22200.0	21910.0	-90.0	22070.0	21911.0	16,726	257,822
Sep	22140.0	22080.0	-65.0	22140.0	22080.0	7	13,010

INDEX FUTURES

■ CAC-40

■ DAX

■ OMX

■ BOVESPA

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are based on data from Jan 1 1996. ‡ Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. † Priced in US $.

FT FREE ANNUAL REPORTS SERVICE

■ TOKYO - MOST ACTIVE STOCKS: Wednesday, April 17, 1996

	Stocks Traded	Closing Prices	Change on day
Sanyo Electric	10.1m	650	+12
NKK Corp	9.4m	335	-9
Nippon Stl Corp	7.1m	379	
Toshiba Corp	6.2m	830	+5
Fujitsu	5.9m	1090	+30
Stanley Elect	5.6m	823	+18
Mazda Motor	5.6m	498	-12
Toyota Motor	5.6m	2360	+20
Shinko Elect	5.5m	1080	+40
Sumitomo Mtl Ind	5.3m	339	-1

4 pm close April 17

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1996 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
22⅛	19½	AAR	0.48	2.4	22	89	20¼	19⅞	20¼	+¼
44¾	36⅞	AMP	1.00	2.4	21	2737	42¾	41⅞	42¼	-½
93⅝	68	AMR			37	13129	u93⅝	91⅛	92⅞	+1½
50½	37⅛	ASA	2.00	4.4	29	737	45½	44¾	45¼	
44¾	36⅛	AbbtL	0.96	2.4	18	8205	41⅞	40¾	40⅞	-⅞
17¾	13⅜	Abitibi Pr	0.40	2.7	7	2286	14⅞	14⅜	14⅞	+⅛
35⅛	27	ABM Ind x	0.70	2.1	17	12	33⅜	33⅛	33⅛	-¼
15½	13⅞	Acptncein			54	411	15	15	15⅛	+⅛
50⅜	37¾	ACE Ltd	0.56	1.3	10	169	44⅜	43⅞	43⅞	-⅜
9⅞	9⅛	ACM Gvt In	0.90	9.2	8	353	9¼	9⅛	9¼	
7⅞	6¾	ACM GvOpp	0.66	9.3		288	7⅛	6⅞	7⅛	
7¼	6½	ACM Gvt Sp	0.75	11.3		548	6¾	d6½	6⅝	
9⅛	8¼	ACM Gvt Se	0.90	10.4		85	8¾	8⅝	8⅝	-⅛
9½	8⅞	ACM Man	0.90	9.6		81	9⅜	9¼	9⅜	
31⅜	17¼	AcmeClv	0.52	1.7	7	91	u31⅜	30¾	30¾	
9¼	6⅛	Acme Elect			54	74	6¾	6½	6½	
31¾	27¾	Acordia	0.72	2.3	16	4	31	30⅞	31	
15⅞	12	Acuson			40	89	14¾	14½	14⅞	+¼
19½	18⅜	Adams Expr	0.48	2.6	0	325	19	18¾	18¾	-¼
21¼	16¼	AdvMic			7	22824	17⅞	16⅝	16⅞	-¼
10¼	8½	Advest Grp	0.16	1.6	10	158	10⅛	10	10	
28⅛	9⅛	Advo Inc	0.10	1.0	10	1048	10	10	10	-⅛
49½	41⅛	Aegon	1.23	2.6	15	35	49	48½	48⅞	-¼
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

- B - [illegible]

- C - [illegible]

- D - [illegible]

- E - [illegible]

- F - [illegible]

- G - [illegible]

- H - [illegible]

- I - [illegible]

- J - [illegible]

- K - [illegible]

- L - [illegible]

- M - [illegible]

- N - [illegible]

- O - [illegible]

- P - Q - [illegible]

- R - [illegible]

- S - [illegible]

Continued on next page

AMEX C

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4 pm close April 17

NYSE COMPOSITE PRICES

1996 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
Continued from previous page										
67¼	55⅜	Schlmb	1.50	1.8	30	5644	84	81¾	81⅞	-2⅜
15¼	7⅞	Schdr			11	1082	8¾	8½	8½	-⅛
27⅜	16⅝	Schwab(C)	0.16	0.7	21	6974	23⅞	21⅞	22	-⅛
28⅞	22¾	SchwMaud			15	879	27⅝	27⅝	27⅝	
19½	13⅛	SciAtl	0.06	0.4	36	1510	17⅝	17	17¼	-⅛
18⅞	17	Scotsman	0.10	0.6	11	221	18⅛	18	18	-⅛
43½	38⅛	Scripps	0.52	1.2	25	168	42	42	41⅞	
16⅛	14½	ScuddrNAsF	0.02	0.1		94	15⅛	15⅞	15⅞	-¼
12⅜	11	ScuddrNEsF	0.18	1.3		39	d12⅛	12	12⅛	-⅛
18	16	SeaC7B	0.70	4.0	2	406	17⅞	17¼	17⅜	
16	15⅛	SeaC1.4625	1.46	9.7		2	15⅛	d15⅛	15⅛	
67¾	44¾	S'gate			11	7245	61¼	60⅞	58⅞	-2⅛
39⅛	31¾	Seagrm	0.60	1.8	22	4155	33⅛	32½	32⅝	-⅛
24⅛	17⅛	Seagull En			15	454	d24⅛	23⅛	23⅛	-⅛
35¼	25	Sealed Air			27	950	34¼	33¼	33¼	-⅛
53⅛	38¼	SearsR	0.92	1.8	7	13048	u53⅛	52¼	52⅛	-1
22¼	19¾	SecCapSBI	1.24	5.8	25	213	21⅝	21⅞	21⅞	-⅛
13	12	Seligat Sel x	0.84	6.9		131	12⅛	d12	12⅛	
23¼	13⅝	Sensormat	0.22	1.0	78	4104	22⅝	21⅝	21⅞	-⅞
35⅝	29½	SequaA	0.60	1.7	60	8	34⅝	34½	34½	-⅛
41⅝	39	SequaB	0.50	1.2	71	3	40⅞	40⅞	40⅞	
52	36⅞	ServCo	0.48	1.0	27	936	49	48⅝	48⅞	-⅛
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

- T -

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- X - Y - Z -

[illegible]

4 pm close April 17

AMEX COMPOSITE PRICES

[illegible]

4 pm close April 17

NASDAQ NATIONAL MARKET

[illegible]

AMERICA

Worries over IBM outlook pressure Dow

Wall Street

Renewed worries about the outlook for the technology sector in the second quarter and further declines on the bond market took US blue chip share prices lower in midsession trading, *writes Lisa Bransten in New York.*

IBM shares initially jumped $4¼ on the strength of its robust first-quarter profits of $2.48 per share, but by early afternoon the stock was down $6 at $109¾.

The company said a stronger dollar and a "difficult" period for the products it sells to other manufacturers could lower its second-quarter earnings. Shares in IBM have gained nearly $28 since mid-January when the company stunned the market with much stronger than expected fourth-quarter earnings.

The decline in IBM, a component of the Dow Jones Industrial Average, contributed to a 41.55 points drop in that index and brought the blue chip indicator to 5,578.47 by 1pm. The Standard & Poor's 500 declined 3.14 to 641.86, while the American Stock Exchange composite rose 1.19 to 580.50. Volume on the New York SE came to 263m shares.

Technology sector jitters caused the Nasdaq composite, which is weighted towards that sector, to give back 4.23 of the 14.47 it gained on Tuesday, bringing the index to 1,120.73. The Pacific Stock Exchange technology index retreated 1 per cent.

Computer makers were particularly weak yesterday. Hewlett-Packard gave up $1⅝ at $97⅞, Gateway 2000 lost $1⅛ at $32¾ and Dell Computer fell $1⅛ to $40⅝, while Compaq Computer managed a gain of $¼ at $40⅝.

In addition to the losses at IBM, other declining issues on the Dow included Coca-Cola, off $1⅛ at $79⅞ after missing earnings estimates by a cent, and Caterpillar, which fell another $2⅝ to $67⅞ yesterday after reporting weaker than expected earnings on Tuesday.

AMR, parent company of American Airlines, added $¼ at $91⅞ after revealing first-quarter results of $1.84 per share compared with analysts' estimates of $1.54 per share. That strong report from the first major airline to put out earnings boosted UAL, parent of United Airlines, which put on $1½ at $216, and Southwest Airlines, up $1⅛ at $31⅝.

BankAmerica slipped $⅝ to $73⅝ in spite of earnings of $1.79 per share, 7 cents ahead of analysts' estimates.

Canada

Toronto edged lower in midsession trade as the market paused after soaring to a new high on Tuesday. The TSE 300 composite index was 5.66 easier at 5,079.70 in very heavy trade of 70.4m shares.

Among heavily traded mining groups, Pure Gold Resources rose 9 cents to 36 cents and Black Swan Gold Mines eased 9 cents to 96 cents.

Fairfax Financial Holdings rose C$2 to C$186 after the company priced a $125m note issue on Tuesday.

Latin America

MEXICO CITY rallied further in early trade as the peso seesawed at the opening but appeared to survive Tuesday's sharp cut in primary *Cetes* rates.

The IPC index was up 42.17 at 3,243.10. Gainers were led by Bancomer, which announced late on Tuesday that it had aggressively built reserves in the first quarter.

SAO PAULO was mixed and volatility was expected to increase due to futures contracts expiration later in the session.

By midsession the Bovespa index was down 23.27 at 49,870.

BUENOS AIRES was slightly higher, buoyed by the government's successful bond tender on Tuesday and the stabilisation of US interest rates.

The Merval index had gained 2.47 at 534.44.

The government launched its 90-day Letes Treasury bills on Tuesday, placing 250m pesos at 6.8 per cent, against the forecast rate of 7.5 per cent.

EUROPE

Bundesbank leaves Frankfurt cautious

A wave of futures-led selling pulled FRANKFURT back from an early all-time high and shares slid to end the day in negative territory. The Ibis Dax index closed at 2,519.82 after the Dax ended 14.20 lower at 2,524.18.

Investors were cautious ahead of the Bundesbank council meeting, and although the consensus was that rates would remain unchanged, uncertainty hit the market.

The expiration of the June Dax futures contract at the end of the week has seen dealers moving to cover positions.

Allianz recovered DM3 from the floor close to DM2,657. Deutsche Bank was unchanged at DM75, Dresdner Bank rose 11 pfgs to DM39.66 and Commerzbank edged up 20 pfgs to DM334.20.

SAP was up 50 pfgs at DM197 after announcing that first-quarter pre-tax profits had risen 62 per cent on a 40 per cent increase in sales.

Daimler-Benz slipped DM1.50 to DM830.50, while Volkswagen was down DM2.50 at DM543 in spite of its Audi unit reporting that first-quarter sales rose 20.5 per cent from a year earlier to a provisional DM4.7bn. BMW slipped DM5 to DM818.

PARIS was weaker as investors took their lead from falling government bond futures which came under pressure from rising US bond yields and fading expectations of an early French rate cut.

The CAC-40 index finished 22.20 lower at 2,075.12, having come within striking distance of the 2,100 key resistance point in morning trading, when it reached a high for the session of 2,099.70. Volume was FFr5.3bn.

Dealers said there was uncertainty as to whether the Bank of France would follow up this week's lowering of the call money rate with an early cut in leading interest rates.

A number of dollar stocks ran into profit-taking following recent rises on the back of gains in the US currency. Elf Aquitaine closed FFr6.90 off at FFr373.60, LVMH fell FFr15 to FFr1,294, Total declined FFr9.30 to FFr348 and L'Oréal, which reported 1995 results in line with expectations, saw its shares decline FFr38 to FFr1,546.

Schneider, however, extended gains with a FFr6.50 rise to FFr250.10 as analysts recommended the stock for its sensitivity to any economic recovery.

Thomson-CSF closed FFr5.90 to the good at FFr134.50 as the market welcomed the Thomson group's plan to sell its Crédit Lyonnais shareholding to the French state.

AMSTERDAM fell on profit-taking, notably in publishing stocks. The AEX index eased 2.55 to 545.68, but was off the day's low of 544.82. Profit-taking was marked in the publishing sector, with Wolters Kluwer losing Fl 2.80 at Fl 192.90 after its recent rise. Elsevier was off 80 cents at Fl 26.70, after a low of Fl 26.40, in heavy trade of 10m shares, and VNU was down Fl 1 at Fl 29.10 in turnover of 1.1m shares.

Ahold fell Fl 2.20 to FL 84.70 on profit-taking after earlier strong gains on its Stop & Shop acquisition in the US.

Philips reversed an initial rise to close 10 cents down at Fl 60.80 as investors began to look ahead nervously to first-quarter results expected next Wednesday.

ZURICH recovered from an opening fall to close only slightly easier, but shares in UBS were sharply lower after Tuesday's annual shareholder meeting. The SMI index picked up from a low of 3,579.2 to finish a net 3.6 off at 3,603.9.

UBS bearers, down SFr29 at SFr1,240 but off a low of SFr1,212, led the actives list. Analysts said that they had come under pressure from the derivative side after investors sold UBS options hedged by the issuer. UBS registered shares closed SFr8 lower at SFr271. Dealers said that only BK Vision was seen as a small buyer in UBS registered shares.

Other major banks were slightly lower but some leading industrials closed higher, led by Ciba, which gained SFr23 to SFr1,460.

Crossair picked up SFr60 to SFr900 on speculation that Swissair could increase it stake to 100 per cent. Swissair gave up SFr28 to SFr1,277 on the view that it was backtracking on plans to transfer some of its long-haul services from Geneva to Zurich after sharp criticism from politicians.

MILAN was weak as investors remained cautious ahead of Sunday's election and tomorrow's options expiry, while weaker domestic bonds and the lira added to the pressure. The Comit index fell 5.57 to 608.18 and the real-time Mibtel index lost 85 to 9,697.

Against the trend, Olivetti picked up L4.8 to L851.9 following Tuesday's announcement that its PC business broke even during February and March after the L1,589bn group loss reported for 1995.

Cartiere Burgo jumped L167 to L8,712 after the paper and packaging group reported a sharply higher net profit for 1995.

STOCKHOLM was weighed down by a continued fall in Ericsson, although the downward trend was checked by a turnaround in Astra in the afternoon and a strong performance from the forestry sector.

The Affärsvärlden general index was 3.3 softer at 1,884.1.

Around a quarter of the day's turnover was in Ericsson B shares, which fell SKr3 to SKr127.5, matching the closing price in New York overnight and bringing the total fall to SKr8 since Monday's Stockholm close.

FT-SE Actuaries Share Indices — THE EUROPEAN SERIES

Apr 17 Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1651.00	1648.88	1649.95	1646.75	1648.22	1646.79	1648.68	1648.84
FT-SE Eurotrack 200	1710.09	1708.56	1707.40	1706.19	1706.78	1707.99	1708.50	1708.58

	Apr 16	Apr 15	Apr 12	Apr 11	Apr 10
FT-SE Eurotrack 100	1652.07	1651.24	1636.25	1640.35	1643.23
FT-SE Eurotrack 200	1713.18	1703.90	1694.76	1696.04	1701.29

Base value 1000 (26/10/90). Highday: 100 - 1651.34; 200 - 1710.10 Lowday: 100 - 1645.51 200 - 1705.23. † Partial

ASIA PACIFIC

Nikkei loses early gain, Taipei rallies 2.5%

Tokyo

High-technology stocks led a morning rally but profit-taking eroded gains in the afternoon and the Nikkei average closed in negative territory, *writes Emiko Terazono in Tokyo.*

The Nikkei 225 index lost 51.95 at 21,816.22 after fluctuating between 21,801.85 and 22,007.84. Shares gained in earlier trading thanks to a rally in high-technology issues. However, profit-taking by investment trusts depressed the index in late trading, prompting brokerage dealers to liquidate their positions.

Volume was 554m shares, against 722m. The Topix index of all first section stocks shed 1.85 to 1,677.48 and the Nikkei 300 lost 0.50 at 310.47. Falls outscored rises by 586 to 493, with 148 issues unchanged.

In London the ISE/Nikkei 50 index put on 2.67 at 1,455.57.

Better than expected first-quarter earnings announcements by US high-technology companies boosted confidence towards the Japanese electronics and semiconductor manufacturing sector. Although overnight rallies on Nasdaq and Wall Street also encouraged sentiment; increased selling by domestic investors of large-capital stocks eventually clouded confidence.

Market analysts said it would take time for the Nikkei to clear the 22,000 hurdle. "The market is overbought. There needs to be a correction," said Mr Ken Okamura, strategist at Kleinwort Benson in Tokyo.

Sanyo Electric, the most active issue of the day, rose Y12 to Y660. The issue is regarded as a laggard in the electronics sector. Other high-technology stocks were also stronger, with Sony Y100 higher at Y6,600 and Toshiba Y5 ahead at Y830.

Large-capital steels eased under profit-taking by domestic institutions and brokerage dealers. Kawasaki Steel retreated Y6 to Y382 and NKK dipped Y9 to Y335.

The decline in commodity prices hit mining issues which had been supported by a rally in the gold market. Sumitomo Metal Mining receded Y20 to Y1,040 and Mitsubishi Materials decreased by Y20 to Y610.

Car shares were supported by the yen's weakness. Toyota Motor gained Y20 at Y2,360 and Honda Motor rose Y30 to Y2,330. Mazda Motor, however, fell Y12 to Y498 as the euphoria over Ford's rescue, announced last week, eased.

In Osaka, the OSE average slipped 42.64 to 23,346.23 in volume of 468.7m shares.

Roundup

Heavy demand for financials helped TAIPEI to shrug off profit-taking pressure and the market rebounded 2.5 per cent after Tuesday's 3 per cent fall.

The weighted index ended 149.76 higher at 6,087.98 in heavy turnover of T$97.4bn.

Financial shares, which soared last week but had slowed the pace of their rises in recent sessions, jumped 5.3 per cent.

HONG KONG turned back after the sharp advances of the previous two days, as April futures continued to exert an influence over the cash market. The Hang Seng index lost 70.29 to 10,962.69 – after climbing nearly 200 points over the two previous days – although turnover dwindled to a weak HK$3.6bn.

Hutchison topped the most active list and fell 60 cents to HK$48.30 in spite of news that the Cheung Kong chairman Li Ka-shing had again slightly raised his stake. Cheung Kong gave up 50 cents to HK$54.50.

KUALA LUMPUR edged lower on profit-taking among blue chips after Tuesday's rally, while strength in small-capitalisation issues was also sapped by the end of the session. The composite index reversed opening gains to end down 2.34 at 1,165.03.

SEOUL rebounded after individual domestic investors and foreigners bought low-priced large-capitalisation shares, as institutions reined in their selling. The composite index ended 14.67 higher at 922.20 in active volume of 59.8m shares.

Among the winners, Seoulbank advanced Won230 to Won6,930 and Daewoo Heavy Won470 to Won8,450.

SYDNEY finished firm, but just off the day's high, after a late futures-driven rally gave some clear trend to the day's performance. The All Ordinaries index was 7.0 higher at 2,266.8.

BANGKOK fell back after the central bank announced measures including tighter reserve requirements for banks and finance institutions. The SET index lost 11.22 at 1,340.47 in Bt7.6bn turnover. Under the new measures banks will be required to raise an additional Bt20bn in deposits to comply with a higher first tier capital/risk asset ratio that goes into effect on October 1.

MANILA ended lower as the market took a breather following two days of gains that lifted the index past the 3,000 level. The composite index slid 28.94 or 1 per cent to 2,987.69.

Industrials higher for second day

Industrials stormed higher for the second consecutive day as foreign buying lifted the prices of top-line counters, leaving golds to shed Tuesday's gains as bullion floundered. Meanwhile, the rand plunged to a record low.

Dealers said US and UK funds had come in as aggressive buyers, focusing purchases on blue chip industrial counters, particularly those likely to gain most from a weak rand.

Gold shares were left behind in the scramble for industrials, dragged lower by the metal's overnight fall and by fears that it was threatening to drop through the $390 an ounce level.

The gold board was seen tracking the rand price of gold and would look to the gold mining quarterly results, most of which will be released this week, dealers said.

The overall index was up 44.5 at 6,859.8, the industrials index surged 70.4 to 8,328.3 and the golds index slipped 19.4 to 1,837.7.

De Beers was 50 cents lower at R133, Amic made R3 to R195, Richemont put on R2.25 at R61 and Anglovaal lost R5 to R155.

Kloof fell R2 to R47, Vaal Reefs shed R5 to R403.50, Impala was R1 higher at R63 and Dries ended R1.25 lower at R65.50. Anglos hit a record high of R279 before slipping back marginally to stand R15 up at R278.

EMERGING MARKETS: IFC WEEKLY INVESTABLE PRICE INDICES

Market	No. of stocks	Dollar terms: Apr. 12 1996	% Change over week	% Change on Dec '95	Local currency terms: Apr. 12 1996	% Change over week	% Change on Dec '95
Latin America	(247)	500.90	+1.3	+8.2			
Argentina	(31)	828.12	+2.0	+3.4	507,614.18	+1.9	+3.3
Brazil	(68)	332.73	-0.7	+9.0	1,232.46	-0.4	+11.0
Chile	(43)	690.18	+2.8	-7.8	1,127.17	+2.2	-7.6
Colombia[1]	(15)	586.20	+0.7	-2.0	1,088.64	+0.6	+3.7
Mexico	(65)	522.14	+2.2	+15.2	1,686.96	+1.8	+12.0
Peru[2]	(20)	198.02	-0.3	+0.4	285.82	-0.1	+2.9
Venezuela[3]	(5)	464.29	+10.1	+38.9	5,119.74	+10.6	+96.1
Asia	(631)	263.42	+1.3	+13.5			
China[4]	(23)	59.73	-3.5	+10.4	62.81	-3.5	+10.5
South Korea[5]	(145)	125.14	+0.8	-0.6	128.75	+1.2	+0.3
Philippines	(35)	284.94	+0.6	+9.8	360.45	+0.7	+9.8
Taiwan, China[6]	(83)	138.28	+14.8	+22.6	141.07	+14.7	+22.1
India[7]	(76)	96.50	+1.2	+20.1	117.03	+1.2	+16.6
Indonesia[8]	(44)	125.13	-0.2	+14.1	158.50	-0.1	+16.3
Malaysia	(123)	315.38	+0.1	+16.3	293.03	-0.5	+15.3
Pakistan[9]	(25)	255.30	-0.9	+5.2	402.02	-0.9	+6.6
Sri Lanka[10]	(5)	117.69	-3.0	+13.1	138.92	-2.3	+14.9
Thailand	(72)	386.30	-0.6	+2.8	388.32	-0.3	+3.3
Euro/Mid East	(238)	145.22	-1.9	+2.5			
Greece	(47)	252.31	-1.3	+4.5	414.12	-0.7	+7.0
Hungary[11]	(8)	140.33	-3.0	+42.6	245.30	-2.2	+51.6
Jordan	(8)	175.21	+5.1	-5.1	261.55	+5.1	-5.1
Poland[12]	(22)	622.47	-0.5	+46.0	1,026.15	+0.5	+55.0
Portugal	(26)	124.06	-1.0	+7.2	131.75	+0.2	+10.8
South Africa[13]	(63)	240.45	-1.1	-6.8	205.67	-0.1	+5.9
Turkey[14]	(54)	160.24	-7.0	+53.4	5,520.16	-5.3	+84.7
Zimbabwe[15]	(5)	341.81	+1.4	+24.4	495.79	+1.3	+31.5
Composite	(1116)	298.57	+0.5	+8.3			

Indices are calculated at end-week, and weekly changes are percentage movement from the previous Friday. Base date: Dec 1988=100 except those noted which are: (1)Feb 1 1991; (2)Dec 31 1992; (3)Jan 5 1990; (4)Dec 31 1992; (5)Jan 3 1992; (6)Jan 4 1991; (7)Nov 6 1992; (8)Sep 28 1990; (9)Mar 1 1991; (10)Dec 31 1992; (11)Dec 31 1992; (12)Dec 31 1992; (13)Dec 31 1992; (14)Aug 2 1993; (15)July 2 1993.

The growth in GDP in the world's emerging markets is set to see a substantial rise between this year and the next, according to research by Mr Ralph Lazar of ING Barings. He forecasts that GDP is likely to pick up to 5 per cent this year from 4.3 per cent in 1995, and increase to 5.7 per cent in 1996, more than four times that for the G7 members.

● Crosby Securities says that the main argument for investing in the markets of south-east Asia "is liquidity rather than fundamentals". With global liquidity rising and the likelihood that cash will flow into financial rather than real assets, Crosby believes that east and south-east Asian markets "remain attractive enough to be a principal target of the flow of funds". Crosby rates Singapore and Thailand as being underrated on a one year view.

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FT-SE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The Indices are compiled by FT-SE International and Goldman Sachs in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the Indices.

NATIONAL AND REGIONAL MARKETS (Figures in parentheses show number of lines of stock)	TUESDAY APRIL 16 1996: US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	MONDAY APRIL 15 1996: US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX: 52 week High	52 week Low	Year ago (approx)
Australia (81)	204.39	-0.7	200.90	139.73	160.41	172.67	-0.3	4.02	205.73	202.28	140.94	161.55	173.19	205.73	162.68	173.52
Austria (25)	183.38	-0.4	180.25	125.37	143.92	143.74	-0.4	1.78	184.07	180.99	126.10	144.54	144.36	198.28	168.11	185.88
Belgium (33)	210.24	0.7	206.66	143.73	165.00	160.78	0.6	4.12	208.84	205.34	143.05	163.98	159.77	215.81	186.06	188.79
Brazil (28)	153.57	-0.2	150.98	104.99	120.53	279.88	-0.1	2.59	153.85	151.27	105.39	120.81	280.30	170.25	109.87	109.87
Canada (99)	161.50	0.4	158.83	110.47	126.82	158.82	0.5	2.36	160.90	158.20	110.22	126.34	158.02	161.59	134.14	136.51
Denmark (30)	297.29	0.4	292.22	203.25	233.32	235.59	0.4	1.91	296.01	291.05	202.78	232.44	234.74	305.17	261.84	261.94
Finland (24)	176.35	0.3	173.34	120.56	138.40	175.75	0.6	2.82	175.87	172.93	120.48	138.10	174.75	276.11	171.73	183.63
France (97)	195.26	0.7	191.93	133.49	153.24	156.96	0.7	3.01	193.69	190.60	132.82	152.24	155.86	196.69	167.70	181.76
Germany (60)	172.35	-0.2	169.41	117.83	135.26	135.26	-0.3	1.84	172.72	169.83	118.32	135.63	135.63	174.39	148.48	149.61
Hong Kong (59)	432.92	0.7	425.54	295.97	339.76	429.88	0.6	3.28	430.13	422.92	294.66	337.75	427.13	451.19	323.87	345.25
Ireland (16)	270.38	1.1	265.77	184.85	212.20	244.51	1.0	3.39	267.40	262.92	183.16	209.97	242.06	270.38	220.31	222.89
Italy (59)	75.77	-0.3	74.48	51.80	59.46	89.10	-0.1	2.17	75.98	74.71	52.05	59.66	89.20	82.71	67.22	70.49
Japan (481)	155.78	0.0	153.12	106.90	122.26	106.50	-0.2	0.71	155.74	153.13	106.69	122.30	106.69	164.82	137.75	155.47
Malaysia (107)	567.02	0.9	557.36	387.65	445.01	546.65	0.6	1.80	561.67	552.26	384.77	441.04	543.28	567.02	425.77	487.54
Mexico (18)	1266.81	0.6	1245.22	866.07	994.22	10273.05	-0.2	1.35	1259.57	1238.46	862.87	989.06	10298.21	1266.81	791.99	896.40
Netherland (19)	291.34	0.1	286.37	199.18	228.65	224.36	0.0	3.15	291.19	286.32	199.46	228.66	224.41	291.80	237.16	238.01
New Zealand (15)	82.02	0.3	80.62	56.07	64.37	64.05	0.1	4.27	81.73	80.36	55.99	64.18	63.88	85.49	76.26	81.87
Norway (33)	243.32	-0.3	239.18	166.35	190.97	215.15	-0.4	2.43	244.12	240.03	167.24	191.69	215.94	244.15	215.04	216.84
Singapore (44)	449.15	1.5	441.49	307.06	352.50	291.94	1.4	1.30	442.37	434.96	303.05	347.37	287.85	465.21	355.81	364.43
South Africa (45)	369.91	2.1	363.61	252.90	290.32	341.40	2.2	2.47	362.44	356.37	248.29	284.60	333.91	437.76	338.91	344.16
Spain (37)	173.48	0.3	170.53	118.60	136.15	165.38	0.1	3.35	172.97	170.07	118.49	135.82	165.13	175.88	134.79	136.07
Sweden (48)	335.54	-0.7	329.82	229.39	263.34	335.35	-0.6	2.38	337.73	332.08	231.36	265.20	337.31	352.28	241.23	246.07
Switzerland (38)	240.55	1.0	236.44	164.45	188.78	183.41	0.9	1.55	238.25	234.26	163.21	187.08	181.72	252.34	182.77	182.77
Thailand (46)	186.23	1.5	183.06	127.32	146.16	182.94	1.5	1.78	183.40	180.33	125.64	144.01	180.33	193.95	134.53	139.28
United Kingdom (203)	233.90	1.1	229.91	159.91	183.57	229.91	1.0	3.98	231.48	227.59	158.56	181.75	227.59	235.50	207.42	208.30
USA (627)	262.86	0.5	258.39	179.71	206.30	262.86	0.5	2.20	261.69	257.31	179.27	205.48	261.69	269.11	208.41	208.11
Americas (772)	240.31	0.4	236.22	164.29	188.60	201.93	0.4	2.20	239.26	235.25	163.90	187.87	201.06	245.54	199.08	180.44
Europe (723)	208.49	0.5	204.94	142.54	163.63	183.51	0.5	3.00	207.39	203.91	142.07	162.85	182.58	209.03	180.30	180.34
Nordic (135)	288.61	-0.3	283.69	197.31	226.51	252.95	-0.3	2.36	289.57	284.72	198.37	227.38	253.64	297.48	233.21	234.47
Pacific Basin (833)	169.22	0.1	166.34	115.69	132.81	118.09	-0.1	1.14	169.04	166.21	115.80	132.73	118.15	171.87	148.96	163.80
Euro-Pacific (1556)	185.48	0.3	182.31	126.80	145.57	142.92	0.2	2.01	184.91	181.81	126.67	145.20	142.62	185.48	166.51	170.47
North America (726)	256.56	0.5	252.19	175.40	201.35	255.83	0.5	2.21	255.42	251.14	174.98	200.57	254.69	262.26	202.03	203.66
Europe Ex. UK (520)	189.68	0.2	186.45	129.68	148.87	156.86	0.2	2.46	189.21	186.04	129.62	148.57	156.49	190.78	161.40	161.40
Pacific Ex. Japan (352)	293.73	0.5	288.72	200.81	230.52	253.95	0.5	2.92	292.35	287.45	200.27	229.56	252.74	293.73	237.71	244.20
World Ex. US (1746)	186.70	0.3	183.52	127.64	146.53	147.21	0.2	2.03	186.07	182.95	127.47	146.11	146.84	186.70	167.36	170.75
World Ex. UK (2170)	207.63	0.3	204.09	141.95	162.95	176.61	0.3	1.91	206.97	203.50	141.78	162.52	175.15	209.07	179.23	179.34
World Ex. Japan (1892)	240.17	0.5	236.08	164.20	188.49	227.70	0.5	2.52	238.99	234.98	163.72	187.66	226.59	242.39	197.10	197.77
The World Index (2373)	209.98	0.4	206.40	143.55	164.80	180.52	0.3	2.10	209.17	205.67	143.29	164.25	179.92	211.22	181.82	181.89

Latest prices were unavailable for this edition.